

**AMENDED AND RESTATED BYLAWS
OF
CATHEDRAL VILLAS OWNERS ASSOCIATION**

**ARTICLE I
NAME AND LOCATION**

The name of the corporation is CATHEDRAL VILLAS OWNERS ASSOCIATION, hereinafter referred to as the “Association.” The principal office of this corporation shall be located in the County of Riverside, State of California.

**ARTICLE II
DEFINITIONS**

Section 1. “Association” shall mean and refer to CATHEDRAL VILLAS OWNERS ASSOCIATION, a nonprofit mutual benefit corporation, its successors and assigns.

Section 2. “Declaration” shall mean and refer to all restrictions, covenants, terms and conditions set forth in the First Restated and Amended Declaration of Restrictions for Cathedral Villas recorded in the Office of the Riverside County Recorder with respect to the Condominium Property as Instrument No. ____ Official Records of said County, as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder’s Office.

Section 3. “Person” shall mean and refer to any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

Section 4. “Voting Power” shall mean and refer to those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time any determination of voting power is made.

Sections 5. Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE III

MEMBERSHIP RIGHTS AND PRIVILEGES

Section 1. Members of the Association. Every Owner of a Condominium within the Condominium Property is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Condominium.

Section 2. Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under Section 1. Upon the sale, conveyance or other transfer of an Owners interest in a Condominium, the Owner's membership interest appurtenant to the Condominium shall automatically transfer to the Condominium's new Owner(s).

Section 3. Multiple Ownership of Condominiums. Ownership of a Condominium shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Condominium, all of these persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. The Secretary of the Association shall be notified in writing of the Owner designated by his or her Co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received the secretary may accept the vote of any Owner of Record or proxy holder of such an Owner as the vote attributable to the Condominium in question, provided that if the multiple Owners of a Condominium attempt to vote the membership attributable to said Condominium in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the Condominium.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Place of Meeting. All meetings of members shall be held at the Condominium Property.

Section 2. Annual Meeting of Members. A regular meeting of the members shall be held annually at a time and place designated by the Board of Directors. Written notice of each such annual meeting shall be given to each member, and, upon written request therefor, to all first Mortgagees, either personally or by sending a copy of the notice through the mail, charges prepaid, or to his address appearing on the books of the Association or supplied by him to the Association for the purpose of notice. All such notices shall be sent not less than ten (10) days and not more than ninety (90) days before each annual meeting. Such notice shall specify the place, date and time of such meeting and those matters which the Board at the time of mailing the notice intends to present for action by the members. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to members.

Section 3. Special Meeting. Special meetings of members may be called by the President, by a majority of the Board or by five percent (5%) or more of the total voting power of the Association. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of members. Notices of any special meeting shall specify in addition the place, day, and hour of such meeting, the general nature of the business to be transacted.

Section 4. Adjourned Meetings and Notice Thereof. Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power present in person or represented by proxy, but in the absence of a quorum no other business may be transacted at any such meeting.

Section 5. Mortgagee Representation. First Mortgagees shall have the right to attend all membership meetings through a representative designated in writing and delivered to the Board.

Section 6. Voting. Voting of the members may be by voice vote or by ballot. All elections for directors shall be by secret written ballot. Cumulative voting is required for all elections in which more than two (2) directors are to be elected. No member shall be entitled to cumulate votes for a candidate or candidates unless such candidates names have been placed in nomination prior to the voting and the member has given notice at the meeting prior to the voting of member's intention to cumulate votes. If any one member has given such notice, all members at any election for directors, subject to the foregoing, shall have the right to cumulate votes and give one (1) candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Unless the entire Board is removed from office by the vote of the members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal, or not consenting in writing to his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors then being elected. The election of directors may be held at any meeting of members and each member shall have the right to nominate from the floor candidates for the office of director.

Section 7. Quorum. The presence at the meeting in person or by proxy of a majority of the voting power entitled to vote at any meeting shall constitute a quorum. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough voting power to leave less than a quorum. In the event any meeting of members cannot be held because a quorum is not present, the members present, either in person or by proxy, may adjourn the meeting (but may not transact any other business) to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, provided, however, if after adjournment, a new date is fixed for the adjourned meeting, notice of the time and place of the adjourned meeting shall be given to members in the same manner prescribed for regular meetings; provided further, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. If after the adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each member who, on the record date for notice of the meeting, is entitled to vote at the meeting.

Section 8. Consent of Absentees. The transactions of any meeting of members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 9. Action Without Meeting. Any action which may be taken at a meeting of the members, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code. The written consent or consents shall be filed with the minutes of the proceedings of the members.

Section 10. Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by a written proxy executed by such person and filed with the Secretary of the Association. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from the date of execution. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto. Such revocation may be effected by a writing delivered to the Association that the proxy is revoked, or by subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or •as to any meeting by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed. All proxies shall be revocable and shall automatically terminate upon transfer of title of a Condominium by the Owner.

ARTICLE V

DIRECTORS

Section 1. Powers and Duties. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Civil Code Sections 1350-1376) and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. The Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board. The powers and duties of the Board shall normally include, but shall not be limited to the following, in addition to those powers and duties delineated in the Declaration:

- A. Enforcement of applicable provisions of the Declaration, Articles and Bylaws and other instruments for the ownership, management and control of the Condominium Property.
- B. Payment of taxes and assessments which are, or could become, a lien on the Common Area or a portion thereof.
- C. Contracting for casualty, liability, and other insurance on behalf of the Association.
- D. Contracting for goods and/or services for the common areas, facilities and interests or for the Association subject to the limitations set forth below.
- E. Delegation of its powers to committees, officers or employees of the Association as expressly authorized by the Governing Documents.
- F. Preparation of budgets and financial statements for the Association as prescribed in the Governing Documents.
- G. Formulation of rules of operation of the common area and facilities owned or controlled by the Association.
- H. Initiation and execution of disciplinary proceedings against members of the Association for violations of provisions of the Governing Documents in accordance with procedures set forth in the Governing Documents.
- I. Entry, by the Association's agents or employees, into any Living Unit or any portion of the Common Area as necessary in connection with the construction, maintenance or emergency repair for the benefit of the Common Area or the owners in common in accordance with Section 3.6(b) of the Declaration.
- J. Election of officers of the Board.
- K. Filling of vacancies on the Board except for a vacancy created by the removal of a Board member.

Section 2. Prohibited Actions. The Board shall ordinarily be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the members of the Association.

A. Entering into a contract with a third person wherein the third person will furnish goods or services for the common area or the Association for a term longer than one year with the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration and the Veterans Administration.

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission provided, however, that the term of the contract will not exceed the shortest term for the which the supplier will contract at the regulated rate.

(3) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits for short rate cancellation by the insured.

(4) Lease agreements for laundry room fixtures and equipment of not to exceed five years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(5) Agreements for cable television services and equipment not to exceed five (5) years duration.

B. Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year. Provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

C. Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that year. Provided, however, that this limitation shall not apply to the sale or other disposition of Condominiums acquired by the Association in foreclosure proceedings.

D. Paying compensation to members of the governing body or to officers of the Association for services performed in the conduct of the Association's business, provided, however, that the governing body may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

E. Filling of a vacancy on the Board created by the removal of a Board member.

Section 3. Nomination of Directors.

A. Nominations for the office of director may be made by a nominating committee consisting of a chairperson, who may be a member of the Board of Directors, and two (2) or more Members of the Association. All members of the nominating committee shall be appointed by the Board at least 90 days before the next election of directors and shall make its report at least 60 days before the election. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may also be made by the Members from the floor at the annual meeting or such other meeting at which directors are to be elected.

B. Good Standing Requirement for Candidacy. To be eligible for nomination and election to the Board, a candidate-Member must be certified by the Association Secretary that he or she is in good standing with the Association and is current in the payment of Assessments both at the time his or her name is placed in nomination and as of the election date.

Section 4. Number and Qualifications of Directors. The Board shall consist of five (5) persons who shall be Owners of Condominiums whose memberships are in good standing with all assessments current and are not subject to any suspension of membership rights.

Section 5. Election and Term of Office. At the first annual meeting of members, three (3) directors shall be elected for a term of one (1) year and two (2) directors for a term of (2) years. Thereafter, directors shall be elected at each annual meeting of members to fill the vacancies of those directors whose terms then expire and the term of each director so elected shall be two (2) years. If any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of members held for that purpose.

Section 6. Vacancies. Vacancies in the Board may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting called for that purpose. Any vacancy created by the removal of a director by the members shall be filled by the members of the Association.

A. Any director may resign effective upon giving written notice to the president, the secretary or the Board, unless the notice specifies a later time for the effectiveness of such resignation. A vacancy or vacancies may be deemed to exist in case of death or resignation of any director, or if the members shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect the additional directors so provided for, or in case the members fail at any time to elect the full number of authorized directors.

B. Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236 (relating to the standards of conduct of directors); or (iv) fails to attend three (3) consecutive regular meetings of the Board of Directors that have been duly noticed in accordance with California law.

The Board, by a majority vote of the directors who meet all of the required qualifications to be a director, may declare vacant the office of any director who fails or ceases to meet any required qualification that was in effect at the beginning of that director's current term of office.

C. Authority of Members to Remove Directors. Except as otherwise provided in

Section 6, a director may be removed from office prior to expiration of his or her term only by the affirmative vote of a majority of the voting power of the Members represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum).

D. Removal by Court Action. The County Superior Court may, in response to a suit filed by any director or the lesser of 20 Members or **5** percent of the Members, remove any director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Association. The Association shall be made a party to any such action.

E. Filling Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director, unless the vacancy is created through removal of a director, in which case the vacancy shall be filled by the affirmative vote of a majority of the Members represented in person or by proxy at a duly held meeting of the Members (at which a quorum is present). The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors by an election at a duly held meeting of the Members.

F. Reduction in Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 7. Place of Meeting. All meetings of the Board shall be held at such place and time as determined by the Board of Directors.

Members of the Board may participate in a meeting through use of conference telephone, electronic video screen communications or other communication equipment. Participation in a meeting through the use of conference telephone pursuant to this section constitutes presence in person at that meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through use of electronic video screen communication or other communications equipment (other than conference telephone) pursuant to this section constitutes presence in person at that meeting if all of the following apply:

- A. Each member participating in the meeting can communicate with all of the other members concurrently.
- B. Each member is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Association.
- C. The Association adopts and implements some means of verifying both of the following:
 - (i) A person participating in the meeting is a director or other person entitled to participate in the Board meeting.
 - (ii) All actions of, or votes by, the Board are taken or cast only by the directors and not by persons who are not directors.

Section 8. Organization Meeting. Immediately following each annual meeting of members, the Board shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 9. Other Regular Meetings. Other regular meetings of the Board shall be held without call at such time as the Board shall determine.

Section 10. Special Meetings. Special meetings of the Board for any purpose or purposes shall be called at any time by the President, or, if he is absent or unable or refuses to act, by any Vice-President, or by any (2) directors other than the president. Special meetings of the Board shall be held upon four (4) days' notice by first class mail or 48 hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. Provided, however, such notice need not be given to any Director who signed a waiver of notice or written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 11. Entry of Notice. Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such special meeting was given to such director as required by law and these Bylaws.

Section 12. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board.

Section 13. Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place.

Section 14. Notice of Adjournment. If a meeting of the Board is adjourned for more than 24 hours; notice of adjournment to another time and place shall be given to absent directors.

Section 15. Action Without a Meeting. The Board of Directors may take action without a meeting if all of its members consent in writing to the actions to be taken. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 16. Compensation and Fees. Neither the directors nor the officers of the Association shall receive any monetary compensation for their services performed in the conduct of the business of the Association. Nothing herein contained shall be construed or preclude any Director or officer from serving the Association in any other capacity as agent, employee, or otherwise and receiving compensation therefor. Directors and Officers of the Association may be reimbursed for expenses incurred in carrying out the business of the Association.

Section 17. Attendance at Meetings and Executive Sessions. Regular and special meetings of the Board shall be open to all members of the Association; provided, however, that members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of the Board. The Board may, upon the vote of a majority, adjourn a meeting and reconvene in executive session to discuss litigation in which the Association is or may become a party, member discipline, personnel matters or matters that relate to the formation of contracts with third parties. Before adjourning into executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above.

Section 18. Executive Committee. The Board shall have the power to appoint an Executive Committee and to delegate to such Committee any of the powers and authorities of the Board in the management of the business and affairs of the Association, except with respect to those matters contained in Section 7212(a) of the California Corporations Code, or comparable superseding statute. The executive Committee shall be composed of two (2) or more directors.

ARTICLE VI OFFICERS

Section 1. Officers. The officers of the Association shall be a president, a vice-president, a secretary, and a treasurer and such other officers as the Board may from time to time by resolution establish.

Section 2. Election. The officers of the Association shall be elected by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Subordinate Officers. The Board may appoint such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in Bylaws or as the Board may from time to time determine.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board. Any officer may resign at any time by giving written notice to the Board or the president, or to the Secretary of the Association. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal or disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 6. President. The president shall be the chief executive officer of the Association and shall, subject to the control of the Board and provisions of the Declaration, have general supervision, direction, and control of the business and officers of the Association. The President shall preside at all meetings of the members and at all meetings of the Board. He shall be ex-officio a member of all standing committees, and shall have the general powers and duties of management usually vested in the office of the president of a corporation, and shall have such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 7. Vice President. In the absence or disability of the president, the vice president shall perform all the duties of the president, and when so acting shall have all powers of and be subject to all the restrictions upon the president. The vice president shall have such other powers of and be subject to all the restrictions upon the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or by the Bylaws.

Section 8. Secretary. The secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board may order of all meetings of directors and members, with the time and place of holding, whether regular or special and if special how authorized, the notice thereof given, the names of those present at the directors' meetings, the number of memberships present or represented at members meetings and the proceedings thereof. The secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board required by the Bylaws or by law to be given, and shall keep other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

Section 9. Treasurer. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and surplus. The books of account shall at all times be open to inspection by any director. The treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. The treasurer shall disburse funds of the Association as may be ordered by the Board, shall render to the President and the directors, whenever they request it, an account of all transactions as treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

ARTICLE VII AMENDMENTS

Except as otherwise provided herein, new Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the members entitled to exercise fifty-one percent (51%) or more of the voting power of members of the Association or by the written assent of such members; provided, however, that the approval of Eligible Mortgage Holders holding mortgages on condominiums which have at least fifty-one percent (51 %) of the votes of condominiums subject to Eligible Holder Mortgages shall be required to add or amend any material provisions of the Bylaws which establish, provide for, govern or regulate any of the following:

- A. Voting;
- B. Assessments, assessment liens or subordination of such liens;
- C. Reserves for maintenance, repair and replacement of the Common Area (or Living Units, if applicable);
- D. Insurance or fidelity bonds;
- E. Rights to use of the Common Area;
- F. Responsibility for maintenance and repair of the several portions of the project;
- G. Expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project;
- H. Boundaries of any Living Unit;
- I. The interest in the general Common Area or Exclusive Use Areas;
- J. Convertibility of Living Units into common areas or of common areas into Living Units;
- K. Leasing of condominiums;
- L. Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his or her condominium;
- M. Any provisions which are for the express benefit of mortgage holders, Eligible Mortgage Holders or Eligible Insurers or Guarantors of first mortgages on condominiums;
- N. Any provisions which, by its terms, is specifically for the benefit of the first Mortgages, or specifically confers rights on first Mortgagees.

ARTICLE VIII MISCELLANEOUS

Section 1. Checks, Drafts, Etc.

A. All checks, drafts, auto-payments or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of, or payable to the Association, shall be accompanied by a bill invoice or receipt and executed by a member of the Board of Directors.

B. The signatures of at least two persons, who shall be members of the Association's Board of Directors, or one officer who is not a member of the Board and a member of the Board, shall be required for the withdrawal of moneys from the Association's reserve accounts.

C. All utilities, insurance, waste management and recurring monthly payments for contractual work shall be automatically paid through the Associations approved bank account *Bill-Pay* service.

Section 2. Contracts, Etc. How Executed. The Board, except as in the Bylaws otherwise provided, may authorize any officer or officers to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Any agreement for professional management of any portion of the Condominium Property, or any other contract providing for services shall be terminable for cause upon thirty (30) days written notice, and without cause or payment of a termination fee upon ninety (90) days or fewer written notice.

Section 3. Inspection of Books and Records.

A. Member Inspection Rights. All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member or his or her duly appointed representative at the offices of the Association for any purpose reasonably related to the Member's interest as such. Member's rights of inspection shall be exercisable on ten days' written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. In the case of the demands to inspect the Association's membership list, a Member's inspection rights shall be subject to the Association's right to offer a reasonable alternative to inspection within ten days after receiving the Member's written demand (as more particularly set forth in Corporations Code Sections 8330-8338).

B. Director Inspection Rights. Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

C. **Adoption of Reasonable Inspection Rules.** The Board of Directors may establish reasonable rules with respect to

- (i) notice of inspection
- (ii) hours and days of the week when inspection may be made, and
- (iii) payment of the cost of reproducing copies of documents requested by the Member.

Section 4. Fiscal Year. The fiscal year of the Association shall begin the first day of the January and end on the thirty-first (31) day of December of each year. However, the fiscal year of the Association is subject to change from time to time as the Board shall determine.

Section 5. Financial Statements and Budgets. The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

A. Budget. A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year:

- (i) Estimated revenue and expenses on an accrual basis;
- (ii) The amount of the total cash reserves of the Association currently set aside for the future repair or replacement of, or addition to, those major components of the Common Areas and Common Facilities which the Association is obligated to maintain and for contingencies;
- (iii) An estimate of the current replacement costs of, and the estimated remaining useful life of, and the methods of funding used to defray the future repair or replacement of, or additions to, those major components of the Common Areas and Common Facilities which the Association is obligated to maintain;
- (iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the costs of repair, replacement of additions to major components of the Common Areas and Common Facilities which the Association is obligated to maintain.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, upon request, to any Member at the Association's expense. If a Member requests a copy of the complete budget, the Association shall mail the material, via first-class mail, within five days. The notice required hereunder shall be presented on the front page of the summary of the budget in at least 10-point boldface type.

B. Year-End Report. Within 120 days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members:

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of changes in financial position for the fiscal year;
- (iv) A statement advising Members of the place where the names and addresses of the current Members are located; and
- (v) Any information required to be reported under Corporations Code §8322 requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any director or officer of the Association and indemnifications and advances to officers or directors in excess of \$10,000 per year.

A Review of the **Financial Statement** of the Association shall be prepared in accordance with generally accepted accounting principles (GAAP) by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without an audit from the books and records of the Association.

C. Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements, the Board of Directors shall annually distribute within 60 days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular, Special and Special Individual Assessments including the recording and foreclosing of liens against Members' Condominiums.

D. Notification Regarding Insurance Policies.

- (i) Within 60 days prior to the beginning of the fiscal year, the Association shall distribute to the Members a summary of the Association's property, general liability, earthquake and flood insurance policies that states all of the following:
 - 1. The name of insurer.
 - 2. The type of insurance.
 - 3. The policy limits of the insurance.
 - 4. The amount of the deductibles, if any.
 - 5. The disclaimer statement contained in Civil Code Section 1365(e) or any comparable superseding statute.
- (ii) Notwithstanding subdivision (i), the Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies is not immediately renewed if it is canceled or lapsed, or if there is a significant change in any of the policies, such as reduction in coverage or limits, or an increase in the deductible. If the Association receives notice of non-renewal of a policy described in subdivision (i) above, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

E. Review of Accounts. On no less than a quarterly basis, the Board of Directors shall:

- (i) Review a current reconciliation of the Association's operating accounts;
- (ii) Review a current reconciliation of the Association's reserve accounts;
- (iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and
- (v) Review the Association's income and expense statement for the operating and reserve accounts.

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

Section 6. Indemnification.

A. Indemnification of Association. Each Owner shall be liable to the Association for any damage to the Common Areas caused by the negligence or willful misconduct of the Owner or his or her family, guests, invitees or lessees, to the extent that the damage shall not be covered by insurance. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any Unit owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This Section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this section.

B. Indemnification by Association of Directors, Officers, Employees and Other Agents. To the fullest extent permitted by law, the Association shall indemnify its directors, officers, employees and other agents described in Corporations Code Section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any “proceeding” as that term is used in that Section and including an action by or in the right of the Association, by reason of the fact that such person is or was a director or officer or other person described by that Section. “Expenses,” as used in this Section, shall have the same meaning as in Corporations Code Section 7237(a).

C. Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code Section 7237(e), whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

D. Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director, officer, employee or agent seeking indemnification under paragraphs (b) and (c) of this Section 13.6 in defending any proceeding covered by those Sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

Section 7. Statutory References. Any reference to a statute in these Bylaws shall be deemed to refer to such statute as amended, or to any comparable, superseding statute, as the case may be.

CERTIFICATE OF SECRETARY

The undersigned, Secretary of the corporation known as *CATHEDRAL VILLAS OWNERS ASSOCIATION*, does hereby certify that the above and foregoing By-Laws consisting of 16 pages, were duly adopted by written ballot of the Members of said Association on the 10th, day of May 2012, and that they now constitute said Bylaws.

CATHEDRAL VILLAS OWNERS ASSOCIATION
A California Nonprofit Mutual Benefit Corporation

BY: James O. Pickens
Original Signed Secretary of the corporation