

**BYLAWS OF VILLA SANTA CRUZ  
COOPERATIVE INC.**

Adopted on February 23, 2010

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COOPERATIVE INC.

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BYLAWS OF VILLA SANTA CRUZ  
COOPERATIVE INC.

These Bylaws are adopted on February 23, 2010 by the Villa Santa Cruz Cooperative, Inc., a California Nonprofit Mutual Benefit Corporation (hereinafter referred to as the "Cooperative") with reference to the following facts:

A. The Cooperative is the owner of certain real property located at 2435 Felt Street in the County of Santa Cruz, State of California, more particularly described in Exhibit "A" attached hereto.

B. The Cooperative operates a 121-space Mobilehome park together with certain customary appurtenances.

C. The Cooperative is organized as a stock cooperative under the Davis-Stirling Common Interest Development Act (Civil Code Section 1350 et seq), under which the Cooperative holds title to the Park and all or substantially all of the Shareholders of the Cooperative have an exclusive right to occupy a portion of the Park through an Occupancy Agreement in accordance with the terms and conditions of the Governing Documents.

D. The Park is intended and operated for occupancy by persons age fifty-five (55) years of age or older pursuant to Civil Code Section 799.5.

E. These Bylaws address the internal affairs of the Cooperative and describe the rights and obligations of the Shareholders of the Cooperative, including the responsibility to pay assessments, maintenance responsibilities and use restrictions applicable to the Park.

ARTICLE I  
DEFINITIONS

1.1. Accounts. "Accounts" means the Operating Account(s) and the Reserve Account(s) of the Cooperative, which are held in banking or financial institutions as determined by the Board of Directors (Board). The Operating Account(s) shall be used for payment of the expenses of the operation of the Cooperative, including the payment of utilities and property taxes. The Reserve Account(s) shall be for the funds the Cooperative has set aside to defray the future repair or replacement of, or additions to, those major components which the Cooperative is obligated to maintain pursuant to Civil Code 1365.5(f).

1.2. Act. "Act" means the Davis-Stirling Common Interest Development Act (Civil Code Section 1350 et seq), as may be amended from time to time.

1.3. Articles. "Articles" means the Articles of Incorporation of the Cooperative filed with the Secretary of State on September 19, 1986, the Amended Articles of Incorporation of the

Cooperative filed with the Secretary of State on March 1, 2005, and the Restated Articles of Incorporation filed with the Secretary of State in 2010.

1.4. Assessments. "Assessments" means Regular Assessments, Reserve Assessments, Special Assessments, Reimbursement Assessments and Individual Special Charges as defined in Section 9.3 of these Bylaws.

1.5. Board of Directors. "Board" or "Board of Directors" means the governing body of the Cooperative.

1.6. Bylaws. "Bylaws" means the Bylaws of the Cooperative, as may be amended from time to time.

1.7. Common Areas. "Common Areas" mean all property and improvements owned by the Cooperative for the common use and enjoyment of the Shareholders and Resident Renters and shall include the land within the Park; the clubhouse; the pool; the recreational vehicle area; the greenbelt; the shuffle Board court; the common garden or landscaped areas; the retaining walls which are over 30"; the fire hydrants; the electric street lights; the roadways; and the transformers; the fencing along Felt Street, around the recreational vehicle area, along the railroad tracks and along the west end of the Park; all of which are located within or serving the Park. Common Areas include Utilities up to and including the meters, but not the portion of Utilities which are located between the meters and the Mobilehomes. Common Areas do not include the Spaces, the Mobilehomes owned by Shareholders and Resident Renters, the driveways, the improvements, the installations, the trees and the landscaping located within and serving the Spaces occupied by Shareholders and Resident Renters.

1.8. Common Expenses. "Common Expenses" means the actual and estimated expense of maintaining, repairing, operating and replacing the Common Areas and any reasonable reserve for that purpose as determined by the Board, and all sums designated as Common Expenses by or pursuant to the Governing Documents and the Act.

1.9. County. "County" means the County of Santa Cruz, California, the County in which the Park is located.

1.10. Cooperative. "Cooperative" means the Villa Santa Cruz Cooperative, Inc., a California nonprofit mutual benefit corporation.

1.11. Declaration. "Declaration" means that certain Declaration of Villa Santa Cruz Cooperative, Inc. recorded on May 6, 1987 in Volume 4165 page 225, Instrument No. 034501, Santa Cruz County Records, as amended and restated on \_\_\_\_\_, 2010 as Instrument No. \_\_\_\_\_, Santa Cruz County Records.

1.12. Director. "Director" means a member of the Board of Directors of the Cooperative.

1.13. Governing Documents. Pursuant to the Governing Documents and the Act, "Governing Documents" means the Articles, the Declaration, and the Bylaws, as may be adopted



or amended by approval of the Shareholders; and the Occupancy Agreement and any Rules or polices as may be adopted or amended by approval of the Board.

1.14. Mobilehome. "Mobilehome" means and includes both manufactured and modular homes.

1.15. Occupancy Agreement. "Occupancy Agreement" means the agreement between each Shareholder and the Cooperative relating to each Shareholder's right to occupy a Space. Shareholders shall execute an Occupancy Agreement in a form approved by the Board.

1.16. Park. "Park" refers to the property described in Exhibit "A."

1.17. Person. "Person" means a natural person, and if applicable, a corporation, a partnership, a trust, or other legal entity.

1.18. Resident. A "Resident" is a person who is not a Shareholder and who resides in the Park with a Shareholder with the permission and approval of the Board.

1.19. Resident Renter. "Resident Renter" means a person who resides in the Park and occupies a Space pursuant to a valid lease agreement with the Cooperative that became effective when the Cooperative first acquired the Park and where the Cooperative is the owner of the Share associated with such Space. Resident Renters are required to abide by all applicable provisions of the Governing Documents.

1.20. Rules. "Rules" means the rules and regulations adopted from time to time by the Board pursuant to the Governing Documents and the Act.

1.21. Share. "Share" means the share of stock, evidenced by a stock certificate, issued to a Shareholder of the Cooperative by the Cooperative reflecting a Shareholder's ownership interest in the Cooperative.

1.22. Shareholder. "Shareholder" means a voting member of the Cooperative who has a valid ownership interest in the Cooperative as evidenced by a Share issued by the Cooperative and a current Occupancy Agreement approved by the Board.

1.23. Space. "Space" means any area numbered 1 through 103 and 105 through 122, inclusive, as shown on the diagram attached hereto as Exhibit "B".

1.24. Utilities. "Utilities" includes all public and private utilities and related systems, including but not limited to, cables, facilities, main and lateral pipelines, utility boxes, and meters which provide sanitary sewer, water, drainage, electricity, fire suppression, gas, cable television, telephone or data communication or other utility services to the Park.

ARTICLE II  
DESCRIPTION OF PARK AND CREATION OF PARK RIGHTS

2.1. Governing Authority. The Cooperative and its Shareholders are subject to the Act and the terms and conditions of the Governing Documents.

2.2. Organization. The Cooperative shall operate under the name of Villa Santa Cruz Cooperative, Inc. which is organized as a nonprofit mutual benefit corporation under the laws of the State of California. Meetings of the Cooperative and its Board shall be subject to the open meeting laws, commonly known as the Davis-Stirling Open Meeting Act (Civil Code Section 1363.05).

2.3. General Powers and Duties. The duties and powers of the Cooperative are those set forth in the Governing Documents, together with the general and implied powers of a nonprofit mutual benefit corporation, generally to do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do which are necessary or proper, in operating the Park for the peace, health, comfort, safety and general welfare of its Residents, Resident Renters and other authorized occupants, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Cooperative shall have the powers granted to an association under the Act and the powers granted to a nonprofit mutual benefit corporation under California Corporations Code §7140 et seq. The Cooperative shall further have the right to maintain, repair, replace, install or construct improvements in the Common Areas. The Cooperative may employ personnel necessary for the effective operation and maintenance of the Park and the Common Areas, including the employment of legal, management and accounting services.

2.4. Shareholder's Responsibility. Each Shareholder shall be solely responsible for the installation, construction, maintenance, repair and replacement of his/her Mobilehome, the driveway, the improvements, the installations, the trees and the landscaping located within and serving his/her Space, the portion of Utilities which are located between the meters and the Mobilehome, and the payment of all taxes, costs and expenses relating to or arising from his/her Space, subject to the provisions of the Governing Documents and the Act.

2.5. Rights of Entry and Use. (Civil Code Section 799.2.5).

A. Except as provided in subdivision B, below, the Board shall have no right of entry to a Mobilehome without the prior written consent of the Shareholder. The consent may be revoked in writing by the Shareholder at any time. The Board shall have a right of entry upon the land upon which a Mobilehome is situated for the inspection, installation or maintenance of Utilities, for maintenance of the Space in accordance with the Rules of the Cooperative when the Shareholder fails to so maintain the Space, and protection of the Park at any reasonable time, but not in a manner or at a time that would interfere with the Shareholder's quiet enjoyment.

B. The Board or its designee may enter a Mobilehome without the prior written consent of the Shareholder in case of an emergency or when the Shareholder has abandoned the

Mobilehome. As used herein, an emergency means the imminent risk of danger or injury to persons or damage to property.

2.6. Partition Prohibited. No Shareholder shall bring any action for partition of the Park or any portion thereof, it being agreed that this restriction is necessary in order to preserve the rights of the Shareholders with respect to the operation and management of the Park.

### ARTICLE III MEMBERSHIP, ADMINISTRATION AND VOTING RIGHTS

3.1. Membership. Each Shareholder shall hold no more than one (1) share in the Cooperative, and, prior to occupancy, shall meet the residency qualifications set forth in the Governing Documents. Each Shareholder, upon being issued a Share by the Cooperative and signing an Occupancy Agreement in a form approved by the Board, shall automatically become a Shareholder of the Cooperative, and shall remain a Shareholder thereof until such time as such ownership ceases for any reason, at which time such person's membership in the Cooperative shall cease. A Share shall be appurtenant to and cannot be separated from such Shareholder's right to occupy his/her Space pursuant to the terms of the Governing Documents. Shareholders of the Cooperative shall have voting privileges relating to the governance of the Cooperative. The rights, powers and privileges of all Shareholders are equal. Residents who are not Shareholders are not entitled to voting privileges, but shall abide by the applicable terms and conditions of the Governing Documents.

#### 3.2. Resident Renters.

A. Resident Renters are not entitled to voting privileges, but shall abide by the applicable terms and conditions of the Governing Documents.

B. The proposed purchaser, heir or transferee (collectively, "Purchaser") of a mobilehome owned by a Resident Renter shall, prior to the proposed transfer: (i) satisfy all membership requirements in the Governing Documents; (ii) be approved by the Board; (iii) purchase a share in the Cooperative at an amount not less than fair market value; (iv) sign an Occupancy Agreement and (v) agree to be bound by the terms and conditions of the Governing Documents. A Purchaser of a mobilehome owned by a Resident Renter is not entitled to occupancy in the Park unless and until the Purchaser satisfies all of the requirements in this section.

#### 3.3. Senior Housing Park.

A. Pursuant to Civil Code Section 799.5, 799.9, Public Law 104-76, 42 USC 3607(b) and (c) and 24 Code of Regulations Section 100.300 et seq, the Park is to be operated for occupancy by persons who are fifty-five (55) years of age or older. Except as required by law or as set forth herein, each and every individual residing in the Park must be fifty-five (55) years of age or older.



B. In accordance with applicable regulations, the Board shall conduct reliable and verifiable surveys at least every two years to verify the Cooperative's status as an age fifty-five or older Park. Any of the following documents are considered reliable documentation of the age of the occupants of the housing facility or community: (1) driver's license; (2) birth certificate; (3) passport; (4) immigration card; (5) military identification; (6) any other state, local, national, or international official documents containing a birth date of comparable reliability; or (7) a certification in a lease, application, affidavit, or other document signed by any Shareholder. The Cooperative shall consider any one of the forms of verification identified above as adequate for verification of age, provided that it contains specific information about current age or date of birth.

C. A summary of occupancy surveys shall be available for inspection upon reasonable notice.

D. The Cooperative is committed to preserving its legal status as a fifty-five and older Park, but acknowledges that exceptions need to be made as required by law and in appropriate, limited circumstances. The following individuals who are not age fifty-five (55) or older may reside in the Park:

(i) Individuals who resided in the Park on or before April 16, 1998;

(ii) Persons who are Caregivers. As used herein, a Caregiver is a live-in health care provider 18 years of age or older, who provides services and/or supervision to a Shareholder or authorized Resident when the Shareholder or authorized Resident requires live-in health care, live-in supportive care, or supervision pursuant to a written treatment plan prepared by a physician.

(iii) Persons who are Care Receivers. As used herein, a Care Receiver is an individual 18 years of age or older who requires live-in health care, live-in supportive care, or supervision pursuant to a written treatment plan prepared by a physician and who is related by blood, marriage or legal adoption, to a Shareholder.

E. A Shareholder shall submit an application to the Board to establish that the applicable requirements of Section 3.3(D) are met. The Board may require a statement from the Shareholder's attending physician and a treatment plan that meets the findings required in Section 3.3(D). To preserve Shareholders' rights to privacy, the Board is not entitled to review medical records or obtain detailed information relating to the diagnosis or condition of Shareholders, unless the Shareholder voluntarily provides such information or authorizes his/her physician to provide such information. The physician's treatment plan may be renewed every six (6) months unless the treatment is for a permanent disability as determined by the treating physician. The Board may obtain a second opinion from a licensed physician selected by the Board, at the Cooperative's expense, to establish that the applicable requirements of Section 3.3(D) are met. The Board shall treat medical information that it receives as confidential.

F. Board approval of a Caregiver or Care Receiver does not extend to others such as family or friends of the Caregiver or Care Receiver, except as otherwise required by law.



G. Caregivers and Care Receivers shall abide by applicable provisions of the Governing Documents.

3.4. Rentals and Vacation Exchanges by Shareholders. To minimize disruption, to preserve the close-knit nature of the Cooperative, to preserve the value of the Park, and to enhance a sense of security and safety for the benefit of Residents, the Park is to be used and occupied, to the greatest extent allowed by law, by Shareholders and approved Residents. Therefore, a Shareholder shall not rent, lease, assign or transfer his/her Space, mobilehome or occupancy rights to another person, or make his/her Space or mobilehome available for vacation exchanges, except as otherwise required by law.

3.5. Voting. The owner(s) of each Share may cast one vote on each proposition submitted to the Shareholders. Shares, if any, held by the Cooperative may not be voted. If more than one person owns a Share, each owner is a Shareholder, but only one vote may be cast for such Share regardless of the number of Shareholders who own an interest in it. The Owners of a Share must decide how their vote will be cast. Votes may not be divided into fractions. (Authorized Residents who are not Shareholders are not allowed to vote.)

3.6. Approval. Applications to become a Shareholder or Resident must be submitted to the Board on its application form. To reside in the Park, applicants must receive notice of acceptance from the Board. Shareholders shall be required to deliver to the Board an executed Occupancy Agreement in a form supplied by the Board.

3.7. Transfer of Shares. A Share shall not be transferred, pledged or alienated in any way, except upon the sale or conveyance of such Share, and then only in accordance with the terms and conditions of the Governing Documents. A prohibited transfer is void, and will not be reflected upon the books and records of the Cooperative. If a Shareholder fails or refuses to transfer the Share registered in such Shareholder's name to the purchaser upon transfer thereto, the Board shall have the right to record the transfer upon the books of the Cooperative. A Share may be transferred only as provided in the Governing Documents and as provided below:

A. The Cooperative may impose a reasonable transaction charge to recover the cost of processing the transfer of a Share, but (except as to transfer charges imposed by management companies), no more than is necessary to defray the costs for which they are levied. (Section 1366.1 of the Act).

B. Upon the death of a Shareholder and during the administration of his/her estate, the voting rights and other rights of the deceased Shareholder to participate in the affairs of the Cooperative are suspended, but the rights of any surviving Shareholder may not be suspended. Heirs of the Shareholder's estate may become Shareholders as provided in this section. A person who is not a Shareholder, but is an heir or successor, may exercise the rights of a Shareholder only upon satisfying the eligibility requirements and being approved as a Shareholder as provided in the Governing Documents.

C. Heirs or successors who desire to reside in the Park shall apply to the Board for Membership in the Cooperative. The heir or successor must meet the requirements for

residency in the Park. The Board must approve or disapprove the application within thirty (30) days of receiving the application for Membership. If the application is approved, the heir or successor must, within thirty (30) days of such approval: (1) notify the legal representative of the estate of his/her or their intention to exercise the election to reside in the Park; (2) tender to the Cooperative any amounts owed by the deceased Shareholder to the Cooperative; (3) execute the appropriate documents including an Occupancy Agreement; and (4) agree to be bound by the terms and conditions of the Governing Documents.

D. If a Shareholder sells his/her Share, the Cooperative must provide the purchaser with a copy of all documents required by Section 1368(a) of the Act, including a copy of the Governing Documents and financial records.

### 3.8. Default and Termination.

A. After notice and hearing, the Cooperative may pursue any remedies available to the Cooperative under law or equity for a Shareholder's default or failure to comply with the Governing Documents, including but not limited to (i) termination of Shareholder's rights; (ii) repossession of such defaulting Shareholder's Share through lawful proceedings; (iii) cancellation of the Occupancy Agreement through lawful proceedings; (iv) imposing a lien on the defaulting Shareholder's share and (v) obtaining a court order to remove the Mobilehome and improvements of the defaulting Shareholder. In connection with such proceedings, a defaulting Shareholder shall pay all Assessments, fines and penalties which are imposed, reimburse the Cooperative for costs associated with bringing the Space into compliance with the Governing Documents and pay legal and other expenses incurred by the Cooperative in connection with the default and the resale of such Share. In the event a court or arbitrator order that a defaulting Shareholder's rights are terminated, the Shareholder shall deliver to the Cooperative its Share within ten (10) days of demand by the Board for cancellation. If the defaulting Shareholder fails to deliver its share to the Cooperative, such Share shall be deemed to be cancelled.

B. The Cooperative shall comply with applicable laws which limit its ability to require the removal of a Mobilehome from the Park in the event of its sale to a third party (Civil Code Section 799.3).

## ARTICLE IV MEETINGS OF SHAREHOLDERS

4.1. Annual Meeting. The annual meeting of Shareholders shall be held on the third Tuesday in March of each year at 7:00 p.m. in the Park's clubhouse, or at such other date, time and place within the County of Santa Cruz as selected by the Board. Any change in meeting time and place must be designated by written notice of the Board in compliance with the Act and Corporations Code Section 7511. Alternate meeting dates may not be more than sixty (60) days before nor after the third Tuesday in March.

4.2. Special Meetings. As provided for in Corporations Code Section 7510(e) special meetings may be called for any lawful purpose by the following:



A. Directors. By the Board or the president.

B. Petition. By petition of the Shareholders signed by at least 5% of the Shareholders.

C. Setting the Date. The date of the special meeting is set by the Board and may not be less than 35 nor more than 90 days from receipt of request. (Corporations Code Section 7511(c)). The Board has 20 days from receipt of the petition to set the date and give notice of the meeting. If the Board does not do so, the persons calling the meeting may set the date and give notice. (Corporations Code Section 7511(c)).

D. Agenda. Notice of meetings shall specify those matters the Board intends to present for action by the Shareholders. (Section 1363.3(e) of the Act). The business at the meeting is limited to noticed items only; no other business may be transacted. (Corporations Code Section 7511(a)).

4.3. Waiver of Notice. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at the meeting, except when the person objects if the objection is expressly made at the meeting. (Corporations Code Section 7511(e)).

4.4 Conduct of Meetings. Shareholder meetings shall be conducted in accordance with a recognized system of parliamentary procedure or any parliamentary procedures the Cooperative may adopt. (Section 1363(d) of the Act).

4.5. Quorum.

A. Twenty-five percent (25%) of the voting power, represented in person or by proxy, shall constitute a quorum at a meeting of members. If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter shall be the act of the Shareholders unless the vote of a greater number or voting by classes is required by the Act or the Governing Documents (Corporations Code Section 7512). Each ballot received by the inspector of elections shall be treated as a member present at a meeting for purposes of establishing a quorum. If a quorum is not present, the meeting may be adjourned to a stated date, time and place not less than five (5) days nor more than thirty (30) days thereafter. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting, notice of the time and place of the adjourned meeting must be given to the Shareholders in the manner prescribed for special meetings. A meeting may only be reconvened once. Thereafter, a new meeting must be called.

B. In the event of an increase in a Regular Assessment by more than twenty percent (20%) or an increase in a Special Assessment by more than five percent (5%) of the budgeted gross expenses for that fiscal year, a quorum means more than fifty percent (50%) of the Shareholders of the Cooperative (Section 1366(b) of the Act).



4.6. Method of Voting. The Board shall adopt election and voting Rules pursuant to Section 1363.03 of the Act. Voting may be conducted entirely by mail. Where required by Section 1363.03, ballots must be secret and balloting must be performed in accordance with written election rules. Shareholders are allowed to vote by Proxy at meetings in accordance with election and voting Rules adopted pursuant to Section 1363.03 of the Act, but not in elections conducted entirely by mail.

4.7. Action Without a Meeting. Any action that may be taken by the Shareholders, except the election to the Board, may be taken without a meeting if done in compliance with Sections 7513 and 7516 of the California Corporations Code. Any form of written ballot must give Shareholders a choice between approval and disapproval of propositions to be acted upon. Ballot forms must say that, where the Shareholder specifies a choice, the vote must be cast in accordance with that choice.

4.8. Open Meeting Act. The Cooperative shall abide by the Common Interest Development Open Meeting Act set forth in Section 1363.05 of the Act.

## ARTICLE V BOARD OF DIRECTORS: ELECTION, TERM AND POWERS

5.1. Board of Directors. The Board is comprised of five (5), seven (7) or nine (9) Directors as determined by resolution of the Board. The Board shall be elected by the Shareholders.

5.2. Nominations. The Cooperative shall adopt rules relating to nomination procedures, election procedures, appointment of election inspectors, voting by secret ballot and publication of results pursuant to Section 1363.03 of the Act. Under such nomination procedures, floor nominations shall be optional so that elections can be conducted entirely through the mail. Nominations shall be closed at least 30 days before the distribution of ballots for the election if conducted by mail; and at least 60 days before the election if conducted at a meeting of Shareholders. All candidates shall be current on the amounts due the Cooperative; shall not be in material violation of the Governing Documents and shall not have been convicted of a felony involving moral turpitude.

5.3. Election of Shareholders to the Board. At each annual meeting, the Shareholders will vote to elect such new Directors as may be needed to fill vacancies, which election shall be by secret ballot in accordance with the procedures set forth in subsection (b) of Section 1363.03 of the Act. Directors serve three (3) year staggered terms. Directors may serve successive terms. Election of Directors may take place by mail prior to an annual meeting, with the results of the election announced at the annual meeting. The candidates with the highest number of votes will replace their predecessors after the announcement of the election results.

5.4. Resignation and Removal. Resigning Directors must give written notice to an Officer of the Board. Resignations take effect when the notice is received unless the notice specifies a later date. The resignation need not be accepted to take effect. Directors are subject to removal from office pursuant to Corporations Code Section 7221 (Removal of a Director for

Cause); Corporations Code Section 7222 (Removal of a Director Without Cause) or Corporations Code Section 7223 (Removal of Director by Directors or Shareholders Suit). Shareholders shall vote for the removal of Directors by secret ballot in accordance with the procedures set forth in subsection (b) Section 1363.03 of the Act.

5.5. Filling of Vacancies. The Board must fill vacancies within ninety (90) days of their occurrence. If, however, a Shareholder meeting is scheduled within one hundred and twenty (120) days of the vacancy, it must remain unfilled pending a Shareholder election at the meeting. Where the Board fills the vacancy, the Director filling a vacancy will serve until the next annual election of Directors takes place.

5.6. No Director Liability. Directors and Officers are not personally liable for damages caused by contracts they make on behalf of the Cooperative, nor is any Director or Officer liable for acts performed as a Director in good faith as provided by applicable law. To the fullest extent authorized by law, the Cooperative shall defend, indemnify and hold harmless Directors and Officers of the Cooperative from any loss, cost, damage, injury or expense arising out of or in any way related to claims against a Director or Directors for which exoneration is provided herein. The indemnity provided for in this Section includes, without limitation, costs of defense such as court costs and attorney fees.

5.7. Powers. The Board may exercise all powers and authority vested in or delegated to the Cooperative and not reserved to the Shareholders.

5.8. Rules. The Board may adopt, publish and enforce Rules governing the use of the Park pursuant to Section 1357.100 et seq of the Act.

A. The Board shall provide written notice of a proposed rule change to the Shareholders at least 30 days before making the rule change. The notice shall include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change. Notice is not required under this subdivision if the Board determines that an immediate rule change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Cooperative. (Section 1357.130 of the Act).

B. A decision on a proposed rule change shall be made at a meeting of the Board, after consideration of any comments made by Cooperative Shareholders.

C. As soon as possible after making a rule change, but not more than 15 days after making the rule change, the Board shall deliver notice of the rule change to every Cooperative Shareholder. If the rule change was an emergency rule change, the notice shall include the text of the rule change, a description of the purpose and effect of the rule change, and the date that the rule change expires.

D. If the Board determines that an immediate rule change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Cooperative, it may make an emergency rule change without prior notice. An emergency rule



change is effective for 120 days, unless the rule change provides for a shorter effective period. A rule change made under this subdivision may not be readopted under this subdivision.

5.9. Process and Penalties. After notice and hearing, the Board may impose discipline upon any Shareholder who defaults in the payment of any Assessment or monetary penalty levied by the Cooperative, or who has violated the Governing Documents. The penalty for failing to pay financial obligations to the Cooperative shall be established in writing by the Board in the Rules. These penalties may include, without limitation, reimbursement of expenses incurred by the Cooperative in redressing the Shareholder's violation, monetary penalties, suspension of voting rights, and suspension of a Shareholder's right to use Cooperative facilities. Disciplinary action should be commensurate with the severity of the offense and any record of past violations. The Board shall establish and distribute from time to time a schedule of penalties and a fine policy pursuant to Section 1363(g) of the Act.

5.10. Declare a Board Vacancy. If a Director is absent without prior excuse from the President from three (3) regular meetings in any one (1) year period, the Board may declare the Director's office vacant.

5.11. Set Assessments. The Board shall establish a budget and levy Assessments in an amount that the Board deems necessary for the proper operation of the Cooperative.

5.12. Approve Applications. The Board shall review and consider all applications of Shareholders, Caregivers, Care Receivers, and Residents. No person is authorized to reside in the Park without the prior approval of the Board. The Board is authorized to require that all Shareholders provide sufficient information to enable the Board to conduct a screening and background check of all such applicants. Such screening and background check shall be paid for by the applicant.

5.13. Incur Indebtedness. Subject to Section 9.4(A) relating to restrictions on increases in Assessments, the Board may borrow money and execute promissory notes and security instruments, and encumber the Park in the Cooperative's name.

5.14. Discharge of Liens. The Board may use Cooperative funds to discharge liens or indebtedness.

5.15. Financial Duties of the Board; Investment of Funds. The Board shall abide by the Financial Duties of the Board set forth in Section 1365.5 of the Act. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account(s) pursuant to Section 1365.5(c)(2) of the Act. The Board's primary concern should be the preservation of the Cooperative's funds against loss. The Board's secondary concern is a reasonable return on the monies.

5.16. General Powers. The Board may exercise any of the powers of a Mutual Benefit Corporation set forth in Corporations Code Section 7140, subject to compliance with the Act, including but not limited to: manage the community; enforce the Governing Documents; prepare and adopt budgets; levy and collect Assessments; pay expenses incurred by the Cooperative;



select vendors and enter into contracts; repair and maintain the Common Areas; disburse reserve monies; negotiate and enter into contracts; adopt and enforce Rules; call Shareholder meetings; appoint inspectors of election; appoint and remove Officers; appoint Directors to fill vacancies; appoint and dissolve committees; initiate and defend against litigation; contract for the services of a person to manage the operations of the Park; contract for legal and accounting services; procure services and equipment for the maintenance, repair, reconstruction, alteration and landscaping of the Park; obtain furnishings, equipment and supplies; pay all property taxes and assessments levied against the Park, equipment or facilities; perform all other tasks as may be required by the Governing Documents, the Act and any applicable law.

## ARTICLE VI MEETINGS OF BOARD OF DIRECTORS

6.1. Regular Meetings. The Board shall meet every month at a date, time and place within the Park as determined by the Board. Shareholders shall be given notice of the time and place of a meeting, except for an emergency meeting, at least four days prior to the meeting. Notice shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Shareholder who had requested notification of Board meetings by mail, at the address requested by the Shareholder. Notice may also be given by mail or delivery of the notice to each Shareholder or by newsletter or similar means of communication. The notice shall contain the agenda for the meeting.

6.2. Special Meetings. Special meetings of the Board may be called by written notice signed by the President or by any two (2) Directors other than the President. The notice shall specify the date, time and place of the special meeting and the business to be considered. Notice of Special Meetings shall be given in accordance with California Corporations Code Section 7211(a).

6.3. Quorum. A quorum is needed to transact business at a Board meeting. A quorum is a majority of the Board.

6.4. Open/Closed Meetings. Pursuant to Section 1363.05 of the Act, regular and special meetings of the Board are open to Shareholders. The Board may, with the approval of the majority of the Board, adjourn the meeting to executive session to discuss and vote upon litigation, matters relating to the formation of contracts with third parties, Shareholder discipline, personnel matters, or to meet with a Shareholder, upon the Shareholder's request, regarding the Shareholder's payment of Assessments, as specified in Sections 1367 or 1367.1 of the Act. The Board shall meet in executive session if requested by a Shareholder who may be subject to a fine, penalty, or other form of discipline, and the Shareholder shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire Membership.

6.5. Taking Action. In order for any action of the Board to be an act of the Cooperative, a majority of the quorum of directors of the Board must approve of the measure.

6.6 Board Officers. The Board shall elect a President who shall preside at Board and Shareholder meetings. The Board shall also designate the Officers referred to in Article VII.

6.7. Action Taken Without a Meeting. As provided for in Corporations Code Section 7211(b), any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board individually or collectively consent in writing to that action. The written consent must be filed with the Board's minutes.

## ARTICLE VII OFFICERS AND THEIR TASKS

7.1. Officers. The Board must appoint its Officers within seven days after the annual meeting of Shareholders. The Officers are President, Vice-President, who shall at all times be members of the Board, a Secretary and Treasurer. The Board may appoint a Comptroller or other Officers to serve at the pleasure of the Board. Officers serve one-year terms. Officers who are not Directors shall not be entitled to vote as members of the Board.

7.2. Resignation and Removal. An Officer may be removed from office with or without cause by majority vote of the Board. Any Officer may resign at any time by giving written notice to the Board, the President or the Secretary. Resignations take effect upon receipt of the notice or at such later time as may be specified therein. The resignation need not be accepted to take effect. Unless the resigning Officer also resigns as a Director, he/she continues as a Director.

7.3. Vacancies. A vacancy in any office shall be filled by a vote of the Board. The Officer elected to such vacancy serves for the remainder of the previous unexpired term.

7.4. Multiple Offices. Directors shall not hold more than one office.

7.5. Duties. The duties of the Officers, are as follows:

A. President. The President is the Chief Executive Officer of the Cooperative and, subject to Board approval, supervises and oversees the affairs of the Cooperative. The President has the power of management usually vested in the office of President of a corporation, together with such other powers as may be prescribed by the Board or these Bylaws. The President is responsible for assuring that the Cooperative's Governing Documents and decisions made by the Board and Shareholders are carried out. The President also presides at Board and Shareholder meetings and executes written instruments on behalf of the Cooperative.

B. Vice-President. The Vice-President acts in the place of the President when the President is absent, disabled or refuses to act when action is required. When acting for the President, the Vice-President has the powers and constraints of the President. The Vice-President exercises such other tasks as may be required by the Board or these Bylaws.

C. Secretary. The Secretary records the votes and ensures the accuracy of minutes kept for meetings of the Board and Shareholders. The Secretary directs service of

