

[REDACTED]
937 PROFESSIONAL CENTER OWNERS ASSOCIATION

ARTICLES OF ASSOCIATION

of

937 PROFESSIONAL CENTER OWNERS ASSOCIATION

ARTICLE I

NAME

The name of the organization (“Association”) is 937 PROFESSIONAL CENTER OWNERS ASSOCIATION. The Association is formed to manage a common interest development under the Davis-Stirling Common Interest Development Act.

ARTICLE II

AGENT FOR SERVICE OF PROCESS

The name of the Association’s initial agent for service of process is [REDACTED].
The address of the initial agent of the Association is 937 East Main Street, [REDACTED], Santa Maria, California 93454.

The location of the Association’s office, which is on-site, is: 937 East Main Street, [REDACTED], Santa Maria, California 93454.

ARTICLE III

PURPOSES OF THE ASSOCIATION

This Association is a nonprofit unincorporated owners association organized under the Nonprofit Association Law as enumerated in Title 3 of the California Corporations Code.

The purpose of this Association is to engage in any lawful act or activity for which an unincorporated organization may be organized under that Law.

This Association does not contemplate pecuniary gain or profit to its Members, and the specific purpose of this Association is to provide for management, administration, maintenance, preservation, and architectural control of the Units and Common Area within a certain tract of property situated at 937 East Main Street, in the City of Santa Maria, County of Santa Barbara, California, all according to that certain Restated Declaration of Covenants, Conditions and Restrictions of La Casa de Santa Maria (“Declaration”) recorded or to be recorded with respect to the property in the Office of the Recorder of Santa Barbara County, as required by California Civil Code section 1352.

Notwithstanding any of the above statements of purposes and powers, this Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this Association.

ARTICLE IV

EXERCISE OF POWERS OF NONPROFIT MUTUAL BENEFIT CORPORATION

Pursuant to California Civil Code section 1363(c) the Association shall exercise powers granted to a nonprofit mutual benefit corporation, as enumerated in California Corporations Code section 7140, except that it may not adopt or use a corporate seal or issue membership certificates in accordance with California Corporations Code section 7313.

Further, pursuant to California Civil Code section 1363(c) the Association may exercise the powers granted under the California Code of Civil Procedure section 383 and the powers granted to the Association under this title.

ARTICLE V

DISSOLUTION

This Association is intended to qualify as an owners association under the applicable provisions of the Internal Revenue Code and the California Revenue and Taxation Code. No part of the net earnings of this organization shall inure to the benefit of any private individual, except as expressly provided in those sections with respect to the acquisition, construction, or provision for management, maintenance, and care of the Association, and other than by rebate of excess membership dues, fees, or Assessments. As long as there is any Unit or parcel for which the Association is obligated to provide management, maintenance, preservation, or control, the Association shall not transfer all or substantially all of its assets or dissolve without the approval of 100 percent of the Members.

BYLAWS OF 937 PROFESSIONAL CENTER OWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

1.1. *Name and Location.* The name of the organization is 937 PROFESSIONAL CENTER OWNERS ASSOCIATION (“Association”). The principal office of the Association shall be located at the Project, or at any place designated by the Articles of Association.

ARTICLE II

DEFINITIONS

2.1. *Restated Declaration.* “Declaration” means the Restated Declaration of Covenants, Conditions and Restrictions of La Casa De Santa Maria applicable to the property recorded in Santa Barbara County, and subsequent amendments to that Declaration.

2.2. *Incorporation.* The definitions and other provisions contained in the Declaration are incorporated into these Bylaws by reference.

ARTICLE III

MEETING OF MEMBERS AND VOTING

3.1. *Annual Meeting.* The annual meeting shall be held in the month of January, at a time to be set by the Board of Directors.

3.2. *Special Meetings.* Special meetings of the Members shall be promptly scheduled at any time by the Board of Directors in response to the vote of a majority of the Board of Directors, or in response to a request by the Chair of the Board of Directors, the President, or upon written request of the Members representing twenty percent (20%) of the total voting power of the Association.

3.3. *Notice and Place of Meetings.* Written notice of each meeting of the Members, annual or special, shall be given by, or at the direction of, the Secretary by personal delivery, or manager by mailing a copy of the notice, first-class mail, postage prepaid, at least ten (10) but not more than ninety (90) days to each member, addressed to the Member’s address last appearing on the books of the Association for the purpose of notice. The notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. If action is to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal: (1) removing a director without cause; (2) filling vacancies in the Board of Directors by the Members; (3) amending the Articles of Association; or (4) approving a contract or transaction in which a director has a material financial interest.

Member action on those items is invalid unless the notice or written waiver of notice states the general nature of the proposal. Meetings shall be held within the Project or at a meeting place within the same county, as close to the Project as possible.

3.4. *Quorum.* The presence either in person or by proxy, at any meeting, of Members entitled to cast forty percent (40%) of the total voting power of the association (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting) shall constitute a quorum for any action except as otherwise provided in the Declaration or Bylaws.

If, however, that quorum is not present or represented at any meeting, a majority of the Members entitled to vote at the meeting shall have the power to adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days later, without notice other than announcement at the meeting, until a quorum as described above shall be present or represented.

The Members 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 Members to leave less than a quorum, provided that not less than at least twenty-five percent (25%) of the total voting power of the Association remains present in person or by proxy, and provided further than any action taken shall be approved by a majority of the Members required to constitute a quorum, and that only matters that may be voted upon at said adjourned meeting are matters the general nature of which was noticed not less than ten (10) nor more than ninety (90) days before the date of the meeting to each Member entitled to vote at the original meeting. If the time and place of the adjourned meeting shall 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 after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for annual meetings.

Notwithstanding anything in these Bylaws to the contrary, for purposes of obtaining membership approval of special Assessments or increase in annual Assessments as may be required by paragraph 5.4 of the Declaration, a “quorum” means more than fifty percent (50%) of the Members of the Association.

3.5. *Proxies.* At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing, signed by the Member, and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of that Member’s Unit, or upon receipt by the Secretary of the Board of Directors of written notice of the death or judicially declared incompetence of a Member prior to the counting of the vote, or upon expiration of one year from the date of the proxy. Any form of proxy distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval or disapproval of each matter or group of matters to be acted upon. The proxy shall provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy also shall identify the person or persons

authorized to exercise the proxy and the length of time it will be valid. In addition, voting by proxy shall comply with any other applicable requirements of California Corporations Code sections 7514 and 7613.

3.6. Membership and Voting. The Association shall have one class of voting membership:

Members shall be Owners and shall be entitled to a percentage of voting sharing as enumerated in the Declaration in paragraph 4.6. When more than one person holds an interest in any Unit, all those persons shall be Members. The vote for that Unit shall be exercised as they among themselves determine, but in no event shall more than a percentage of apportionment of assessment share be cast with respect to any Unit, nor shall multiple Owners of a Unit split the percentage of apportionment of assessment share.

Any action by the Association that must have the approval of the Members before being undertaken shall require the vote of a majority of a quorum of the membership, or written assent of a majority of the membership.

3.7. Eligibility to Vote. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all Assessments levied against the Member's Unit and not subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with paragraph 3.8 of these Bylaws. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of Assessments, although a delinquent Member shall be entitled to request a hearing. A Member shall maintain good standing if his or her standing has not been suspended by the provisions of these Bylaws and the Member has maintained a current filing with the Association of the following: (1) the signature or signatures of the Owners authorized to vote on behalf of the Member's Unit; and (2) the address to which all notices shall be sent; or alternatively, (3) a proxy that names the Owner's representative and lists that representative's address.

3.8. Record Dates.

A. Record Dates Established by the Board of Directors. For the purpose of determining which Members are entitled to receive notice of any meeting, to vote, to act by written ballot without a meeting, or to exercise any rights with respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and provide that only Members of record on the date so fixed are entitled to receive notice, to vote at a meeting, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles, by agreement, or the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board of Directors pursuant to this paragraph shall be as follows:

(1) *Record Date for Notice of Meetings.* For determining those Members entitled to notice of a meeting, the record date shall be no more than ninety (90) nor less than ten (10) days before the date of the meeting;

(2) *Record Date for Voting.* For determining those Members entitled to vote at a meeting, the record date shall be no more than sixty (60) days before the date of the meeting;

(3) *Record Date for Action by Written Ballot without Meeting.* For determining Members entitled to cast written ballots, the record date shall be no more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and

(4) *Record Date for Other Lawful Action.* For determining Members entitled to exercise any rights with respect to other lawful action, the record date shall be no more than sixty (60) days prior to the date of the other action.

B. *Failure of Board of Directors to Fix a Record Date.* If the Board of Directors, for any reason, fails to establish a record date, the following shall apply:

(1) *Record Date for Notice of Meetings.* The record date for determining those Members entitled to receive notice of a meeting of Members shall be the business day preceding the day on which notice is given.

(2) *Record Date for Voting.* The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the date of the adjourned meeting.

(3) *Record Date for Action by Written Ballot without Meeting.* The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board of Directors has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board of Directors has been taken, it shall be the day on which the Board of Directors adopts the resolution relating to that action.

(4) *Record Date for Other Lawful Action.* The record date for determining those Members entitled to exercise any rights with respect to any other lawful action shall be the day thirty (30) days prior to the date of that action.

(5) *“Record Date” Means as of Close of Business.* For purposes of this subparagraph B, a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

3.9. *Action without Meeting.* Any action that may be taken at annual or special meeting of Members (except the election of directors) may be taken without a meeting in accordance with the provisions of California Corporations Code sections 7514 and 7613. Any form

of written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board of Directors be named in the written ballot. The written ballot shall provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice.

3.10. *Conduct of Meetings.* Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or those parliamentary procedures as the Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Members shall specify those matters the Board of Directors intends to present for action by the Members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with California Corporations Code section 8330 et seq. Any Member shall be permitted to speak at a meeting of the Association Members; however, the Board of Directors may establish a reasonable time limit for Members to speak before a meeting of the Association Members.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1. *In General.* The activities and affairs of this Association shall be administered and overseen by, and the powers of the Association exercised under the direction of, a Board of Directors. The Board of Directors may delegate the management activities to any management company or managing agent, provided, however, that the activities and affairs of the Association shall be directed, overseen, and managed, and the Association powers exercised, under the ultimate direction of the Board of Directors.

4.2. *Number.* The affairs of this Association shall be managed by a Board of Directors of three directors, all of whom must be Members of the Association, or an officer, director, employee, or agent of a Member.

4.3. *Term of Office.* The Members shall elect three directors for a term of one year, and at each annual meeting thereafter the Members shall elect three directors for a term of one year. Each director, unless he or she vacates his or her office sooner, shall hold office until his or her term expires and a successor is elected.

4.4. *Removal; Vacancies.* Unless the entire Board of Directors is removed from office by the vote of Association Members, an individual director shall not be removed prior to the expiration of that director's term of office if the votes cast against that director's removal would be sufficient to elect that director if voted at an election 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 were then being elected. A director who was elected solely by the votes of Members may be removed from office prior to the expiration of

that director's term only by the votes of a majority of Members. In the event of death or resignation of a director, the vacancy shall be filled by approval of the Board of Directors at a duly held meeting, or by the sole remaining director. The Members may elect a director at any time to fill any vacancy not filled by the directors. A vacancy created by removal of a director can be filled only by election of the Members.

4.5. *Compensation.* No director shall receive compensation for any service rendered to the Association. However, any director may be reimbursed for those actual expenses, if reasonable, that are incurred in the performance of the director's duties.

4.6. *Indemnification.* The Association shall indemnify any present or former director, officer, employee, or other agent of the Association to the fullest extent authorized under California Corporations Code section 7237, or any successor statute, and may advance to any of those persons funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of that person or repay those funds unless it is ultimately determined that the person was entitled to indemnification under this provision.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

5.1 *Nomination.* Nomination for election to the Board of Directors shall be made by a Nominating Committee. Notice to the Members of the annual meeting during which the election is to occur shall include the names of all those who are nominees at the time the notice is sent. Nominations may also be made from the floor of at the annual meeting. The Nominating Committee shall consist of a Chair, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members, to serve until the close of that annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualification to Members and to solicit votes.

5.2. *Election.* The persons receiving the largest number of votes shall be elected. There shall be no cumulative voting. The term of office of each director elected to fill a vacancy created by the resignation death or removal of his or her predecessor shall be the balance of the unserved term of his or her predecessor. Any person serving as a director may be re-elected, and there shall be no limitation on the number of terms during which s/he may serve.

ARTICLE VI

MEETING OF DIRECTORS

6.1. *Regular Meetings.* Regular meetings of the board of Directors shall be held twice a year at any place within the Project, and commencing at any hour, as may be fixed from time to time by resolution of the Board of Directors. If a larger meeting room than exists within the Project is required, the Board of Directors shall select a room as close as possible to the Project. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day that is not a legal holiday, excluding Saturday and Sunday. Notice of the time and place of meeting shall be given by mail or person delivery to each Unit in the development or by newsletter or similar means of communication, and shall be communicated to directors and Members not less than four days prior to the meeting. Notice of any meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

6.2. *Special Meetings.* Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President, or Secretary of the Association. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one (1) of the following methods: (a) by personal delivery; (b) written notice by first-class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; (d) by telegram, facsimile, or electronic mail. The notice shall be given or sent to the director's address or telephone number as shown on the records of the Association. The notice shall be posted or communicated in a manner prescribed for notice of regular meetings and shall be sent to all directors not less than four days prior to the scheduled time of the meeting. All Members shall be given notice of the time and place of a special meeting, except for an emergency meeting, at least four days prior to the meeting. Notice may be given by mail, by delivery of the notice to each Unit in the Project, or by newsletter or similar means of communication. Notices sent by first-class mail shall be deposited into a United States mailbox at least six days before the time set for the meeting.

6.3. *Emergency Meetings.* An emergency meeting of the Board of Directors may be called by the President, or by any two directors other than the President, if there are circumstances that could not have been reasonably foreseen that require immediate attention and possible action by the Board of Directors, and that of necessity make it impracticable to provide notices required by paragraph 6.1 of these Bylaws. Notice to members of an emergency is not required.

6.4. *Quorum.* A majority of the directors then in office (but not less than two) shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors at a duly held meeting at which a quorum is present shall be regarded as the act of the Board of Directors. A meeting at which a quorum is initially

present may continue to transact business, notwithstanding the withdrawal of directors, provided at least two (2) directors are present if any action taken is approved by a majority of the required quorum for that meeting.

6.5. *Open Meetings.* Except as provided in paragraphs 6.6 and 6.7 of these Bylaws, all meetings of the Board of Directors shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless expressly authorized by a majority of a quorum of the Board of Directors. However, the Board of Directors shall establish a reasonable time limit for all Members of the Association to speak to the Board of Directors at any meeting of the Board of Directors, and permit any Member of the Association to speak at any meeting of the Board of Directors within that time limit.

6.6. *Executive Session.* The Board of Directors may, with approval of a majority of its members present at a meeting in which a quorum for the transaction of business has been established, or, if all members of the governing body are present, by a majority vote of the members, adjourn a meeting and reconvene in executive session to discuss and vote upon litigation, matters relating to the formation of contracts with third parties, Member discipline, or personal matters. The nature of any business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. The Board of Directors shall meet in executive session if requested by a Member who may be subject to a fine, a penalty, or other form of discipline, and the Member affected shall be entitled to attend the executive session. The Board of Directors may hold an executive session emergency meeting if circumstances require, as authorized by section 6.3 of these Bylaws.

6.7. *Telephonic/Electronic Meetings.* Any meeting, regular or special, may be held by conference telephone, electronic video screen, or other communication equipment, as long as all of the following apply:

A. Each director participating in the meeting can communicate with all the other Directors concurrently.

B. Each Director is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose, an objection to a specific action to be taken by the Association.

C. The Board of Directors adopts and implements some means of verifying both of the following:

(1) A Person participating in the meeting is a director or other person entitled to participate in the Board of Directors meeting;

(2) All actions of, or votes by, the Board of Directors are taken or cast only by the directors and not by persons who are not directors.

Arrangements shall be made to enable any Member who so desires to listen to the telephone/electronic meeting of the Board of Directors. The minutes of the meeting shall state that those participating in the meeting were recognized to be directors or other persons authorized to participate in the meeting. An explanation of the action taken by the Board of Directors shall be communicated by any means it deems appropriate.

6.8. *Waiver of Notice.* The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present and (2) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any directors who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

6.9. *Notice of Adjourned Meeting.* Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than 24 hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment, and shall be communicated by the Board of Directors notice of the time and place of the meeting by any means it deems appropriate.

6.10. *Action without Meeting.* Any action required or permitted to be taken by the Board of Directors may be taken without a meeting (and without prior notice to Members as provided in section 6.2 of these Bylaws), if all members of the Board of Directors, individually or collectively, consent in writing to that action. Action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. An explanation of the action taken shall be communicated by the Board of Directors within three days after the written consent of all Board members have been obtained by any means it deems appropriate.

6.11. *Definition of Meeting.* "Meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board of Directors, except those matters that may be discussed in executive session.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1. *Powers.* The Board of Directors shall have the power to:

A. *Manager.* Employ a manager or managing agent ("Managing Agent") as provided in paragraph 6.2C of the Declaration.

B. *Adoption of Rules.* Adopt Rules in accordance with paragraph 6.2D of the Declaration.

C. *Assessments, Liens, Penalties and Fines.* Levy and collect Assessments and impose fines as provided in Article V of the Declaration.

D. *Enforcement(Notice and Hearing).* Enforce these Bylaws or the Declaration provided that at least fifteen (15) days' prior notice of any charges (other than Assessments) or potential discipline or fine and the reasons for it are given to the Member affected, and that an opportunity is provided for the Member to be heard before the Board of Directors, orally or in writing, not less than five (5) days before the imposition of the discipline or fine. Any notice required by this paragraph shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be given by first-class or registered mail sent to the last address of the Member as shown on the Association's records.

E. *Delegation.* Delegate its authority and powers to officers employees of the Association or to a Managing Agent employed by the Association. The Board of Directors may not delegate the authority: (1) to make expenditures for capital additions or improvements chargeable against the capital reserve funds; (2) to conduct hearings concerning compliance by an Owner or the Owner's tenant, lessee, guest or invitee with the Declaration or Rules promulgated by the Board of Directors; (3) to make a decision to levy monetary fines, impose special Assessments against individual Units, temporarily suspend an Owner's rights as a Member of the Association or otherwise impose discipline following any such hearing; (4) to make a decision to levy annual or special Assessments; or (5) to make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment of Assessments. Any delegation shall be revocable by the Board of Directors at any time. The members of the Board of Directors, individually or collectively, shall not be liable for any omission or improper exercise by the Managing Agent of any duty, power, or function so delegated by written instrument by a majority of the Board of Directors.

F. *Appointment of Trustee.* Appoint a trustee to enforce assessment liens by power of sale as provided in the Declaration and in California Civil Code section 1367(b).

G. *Other Powers.* In addition to any other power contained in these Bylaws, the Association may exercise the powers granted to a nonprofit mutual benefit corporation as enumerated in California Corporations Code section 7140 except adopting or using a corporate seal or issuing membership certificates.

7.2. *Duties.* The Board of Directors shall undertake and fulfill the following duties:

A. *Adoption of Policies.* The Board of Directors shall adopt policies of the Association consisting of those resolutions adopted by the Board of Directors that fulfill the purposes of the Association. The policies will serve the membership and management as statements of the specific objectives and purposes for which the Association exists.

B. *Oversight and Review of Administration of Association Affairs.* The Board of Directors shall review and direct the Managing Agent of the Association to ensure that the policies of the Association are being accomplished in a reasonable and prudent manner and that the requirements for operation of the Project as set forth in the Project documents and the laws applicable to the Project are fulfilled to the extent reasonable and appropriate.

C. *Supervision.* The Board of Directors shall supervise all officers, agents and employees of the Association to see that their duties are properly performed.

7.3. *Prohibited Acts.* The Board of Directors shall not do any of the following, except with the vote at a meeting of the Association, or by written ballot without a meeting pursuant to California Corporations Code section 7513, of a simple majority of the Members:

A. Enter into a contract with a third person in which the third person will furnish goods or services for the Common Area or the Association for a term longer than one year or, notwithstanding the term, in which the amount to be paid to the vendor, including, without limitation, amounts to be paid under contingent fee contracts, ten percent (10%) of the previous year's annual budget of the Association for the fiscal year in which the contract is signed, and the contract is other than for the maintenance, repair, replacement, or reconstruction of one or more elements of the Common Area, with the following exceptions:

(1) A management contract;

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

(3) Prepaid casualty or liability insurance policies of no more than three years' duration, provided that the policy permits short-rate cancellation by the insured; and

(4) A contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty, or other obligation upon ninety (90) days' written notice of termination to the other party.

B. Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of ten percent (10%) of the previous year's annual operating budget of the Association for that fiscal year;

C. Sell during any fiscal year property of the Association having an aggregate fair market value greater than ten percent (10%) of the previous year's annual operating budget of the Association for that fiscal year;

D. Pay compensation to Members of the Board of Directors of the Association for services performed in the conduct of the Association's business; provided, however, that the Board of Directors may cause a Member to be reimbursed for the actual expenses, if reasonable, that are incurred in the performed of his or her duties.

ARTICLE VIII

ASSOCIATION DUTIES AND RESPONSIBILITIES

8.1. *Association Duties.* The Association shall, as provided in these Bylaws or as the Board of Directors may otherwise direct, through its Managing Agent, undertake the following duties and responsibilities:

A. *Maintenance.* Perform the maintenance described in paragraph 6.1A of the Declaration;

B. *Insurance.* Maintain insurance as required by paragraph 8.1 of the Declaration. The Association shall provide copies of any new insurance policies as required by paragraph 8.1B(2) of the Declaration to each Member, or if the insurance is renewed, a copies of renewals and changes as required by paragraph 8.1B(2) of the Declaration. In addition, the Association must provide notification statements to each Member to the effect that the Association is or is not insured to the levels specified by California Civil Code section 1365.9, and if the Association is not so insured, Owners may be individually liable for the entire amount of a judgment, and, if the Association is insured to the levels specified in the section, then Owners may be individually liable only for their proportional share of Assessments levied to pay the amount of any judgment that exceeds the limits of the Association's insurance. The Association shall not levy any Assessment against Members to pay the amount of any judgment of the Members.

C. *Discharge of Liens.* Discharge by payment, if necessary, any lien against the Common Area and assess the cost of the lien to the Member or Members responsible for the existence of the lien (after notice and hearing as required by these Bylaws);

D. *Assessments.* Fix levy, collect, and enforce Assessments as set forth in Article V of the Declaration;

E. *Expenses and Obligations.* Pay all expenses and obligation incurred by the Association in the conduct of business, including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

F. *Enforcement.* Enforce these Bylaws and the Declaration;

G. *Records.* Cause to be kept a complete record of all acts and affairs of the Association and to present a statement to them to Members at the annual meeting of the Members, or at any special meeting when the statement is requested in writing by those

Members representing twenty-five percent (25%) of the voting membership; keep adequate and correct records of account, minutes of proceedings of its members, Board of Directors, and committees, and a record of its Members giving their names and addresses;

H. *Contracts for Services and Goods.* Contract for services and goods in accordance with paragraph 6.2I of the Declaration.

I. *Construction Contracts.* Contract for the repair, maintenance and improvements to the Common Area with licensed construction contractors in accordance with paragraph 6.2J of the Declaration.

J. *Financial Requirements.* Comply with the financial requirements set forth in Article XII of these Bylaws.

ARTICLE IX

OFFICERS AND THEIR DUTIES

9.1. *Enumeration of Officers.* The officers of this Association shall be a President and Vice President, and a Secretary who shall all times be members of the Board of Directors. The Chief Financial Officer shall be the Vice President. There may be other officers as the Board of Directors may from time to time by resolution create.

9.2. *Election of Officers.* The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

9.3. *Term.* Each officer of this Association shall be elected annually by the Board of Directors and each shall hold office for one year unless he or she sooner resigns, becomes deceased, is removed, or is found by the Board to be unqualified to serve.

9.4. *Special Appointments* The Board of Directors may elect other officers as the affairs of the Association may require, each of whom shall hold office for that period, have that authority, and perform those duties as the Board of Directors may, from time to time, determine.

9.5. *Resignation and Removal.* Any officer may be removed from office (but not from the Board of Directors, if the officer is also a member of the Board of Directors) by the Board of Directors with or without cause. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. The resignation shall take effect on the date of receipt of the notice or at any later time specified in the notice, and, unless otherwise specified in the notice, acceptance of the resignation shall not be necessary to make it effective.

9.6. *Vacancies.* A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to the vacancy shall serve the remainder of the term of

the officer s/he replaces.

9.7. *Duties.* The duties of the officers area as follows:

A. *President.* The President shall preside at all meetings of the Board of Directors, see that orders and resolutions of the Board of Directors are communicated to the Managing Agent (if any) and are carried out, sign all leases, mortgages, deeds, and other written instruments, and sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the president of a California nonprofit mutual benefit corporation, and shall have those powers and duties as may be prescribed by the Board of Directors or these Bylaws.

B. *Vice President.* The Vice President shall act in the place and stead of the President in the President's absence or inability or refusal to act, and shall exercise and discharge those other duties as may be required by the Board of Directors. The Vice President, as Chief Financial Officer, shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse those funds as directed by resolution of the Board of Directors, sign all promissory notes of the Association, keep proper books of account, and prepare and distribute budgets, financial statements, and income tax returns to each Member as required under these Bylaws and by applicable laws.

C. *Secretary.* The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members, serve notice of meetings of the Board of Directors and of the Members, keep appropriate current records showing the members of the Association and their addresses, and perform those other duties as may be required by the Board of Directors.

ARTICLE X

COMMITTEES

10.1. *Architectural and Nominating Committees.* An Architectural Control Committee may be appointed as provided in the Declaration, and a Nominating Committee may be appointed as provided in paragraph 5.1 of these Bylaws.

10.2. *Other Committees.* In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

10.3. *Limitations on Committees.* No committee, regardless of Board of Directors resolution, may (1) take any final action on matters that, under the Nonprofit Corporation Law of California, also require Members' approval; (2) fill vacancies on the Board of Directors or on any committee; (3) amend or repeal Bylaws or adopt new Bylaws; (4) amend or repeal any resolution of the Board of Directors; (5) appoint any other committees of the Board of Directors or the members of those committees; nor (6) approve any transaction to which the Association is a party and in which one or more

directors have a material financial interest.

10.4. *Purpose of Committees.* The purpose of all committees shall be to assist the Board of Directors in the development of policies and to assist in the oversight and assessment of Association policies. No committee shall be assigned delegated, or chartered in any manner that would authorize it to take final action in the name of the Association. All committees shall report to the Board and shall serve at the pleasure of the Board of Directors. Committees of the Board of Directors shall not have the authority to direct contractors, agents, or officers of the Association.

ARTICLE XI

BOOKS AND RECORDS

11.1. *Inspection by Members.* The membership register (including names, mailing addresses, telephone numbers, and voting rights), accounting books and records, and minutes of meetings of the Members, of the Board of Directors (including drafts and summaries), and of committees shall be made for inspection and copying by any Member of the Association, or his or her duly appointed representative, at any reasonable time and for a purpose reasonably related to his or her interest as a Member, at the office of the Association or at any place within the Project the Board may prescribe. Board of directors minutes, proposed minutes, or a draft or summary of those minutes (other than those from an executive session) shall be available to Members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the costs in making that distribution.

11.2. *Rules for Inspection.* The Board of Directors shall establish reasonable rules with respect to:

A. Notice given to the custodian of the records by the Member desiring to make the inspection;

B. Hours and days of the week when that inspection may be made;

C. Payment of the cost of reproducing copies of documents by a Member.

11.3. *Documents Provided by Association.* Upon written request, the Association, through the Managing Agent, or if there is no Managing Agent, through the Secretary, shall, within ten (10) days of the mailing or delivery of that request, provide the Owner of a Unit with a copy of the governing documents of the Project, a copy of the most recent budget and statements of the Association distributed in paragraph 12.1, together with a true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special Assessments and fees, as well as any Assessments levied upon the Owner's interest that are unpaid on the date of the statement, including late charges, interest, and costs of collection that, as of the date of the statement, are or may be made a lien upon the Owner's Condominium. For providing

the foregoing, the Board of Directors may impose a fee that may not exceed the reasonable cost to prepare and reproduce the requested documents.

ARTICLE XII

FINANCIAL AND REPORTING REQUIREMENTS

12.1. *Budgets, Financial Statements and Reports.* The Association shall cause to be prepared and distributed budgets and financial statements to each Member as follows:

A. A pro forma operating budget for each fiscal year shall be distributed not less than forty-five (45) nor more than sixty (60) days before the beginning of the fiscal year consisting of at least the following:

(1) Estimated revenue and expenses on an accrual basis;

(2) A summary of the Association's reserves, if any, and the procedures used in the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain; and

(3) A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves.

B. A report consisting of the following shall be distributed within 120 days after the close of the fiscal year: (1) a balance sheet as of the end of the fiscal year; (2) an operating (income) statement for the fiscal year; and (3) a statement of changes in financial position for the fiscal year.

C. The reports referred to in subparagraph B shall be prepared by an independent licensee of the California State Board of Accountancy in accordance with generally accepted accounting principles.

D. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its Assessments against its Members and a statement of the place where the names and addresses of the current Members are located shall be distributed annually to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

E. A statement regarding the Association's insurance policies pursuant to paragraph 8.1B of these Bylaws shall be distributed to the Members within sixty (60) days preceding the beginning of the Association's fiscal year.

12.2. *Income Tax Returns.* The Association shall file income tax returns as set forth in paragraph 6.1G of the Declaration. The income tax returns shall be prepared by an

independent licensee of the California State Board of Accountancy. Every Member of the Association shall have a copy of the income tax returns within sixty (60) days of the filings and a copy of the engagement letter with the licensee who prepared the returns.

12.3. *Accounting Procedures.* The following pertain to internal accounting procedures:

A. *Operational Account.* The purpose of the operational account is to pay ordinary monthly expenses of the Association and insurance policies. Minor repairs, not to exceed ten percent (10%) of the previous year's annual operating budget, may be paid from the operational account at the discretion of the Board of Directors. The only persons which shall have signatory rights to the operational account are the President, Vice President and Secretary of the Association, and the Managing Agent, if any.

B. *Reserve Accounts.* There is no requirement that the Association maintain a reserve account for its obligation to repair, replace, restore, or maintain the Project. Should the Board of Directors, in its discretion, impose any reserve accounts, these reserve accounts shall be part of a special Assessment and shall be for capital improvements only which shall be maintained in separate capital improvement accounts. The only persons which shall have signatory rights to any capital improvement accounts shall be the President, Vice President and Secretary of the Association. There shall be two signatures required to withdraw any funds from the reserve accounts.

C. *Capital Improvement Accounts.* The Members shall be billed for a specific purpose which the Members by a majority eligible to vote shall (1) approve the funding as a special assessment no later than December 1st of each calendar year; (2) maintain the account in a separate bank account as set forth in subparagraph 12.3B; and (3) separately state the purpose of the account. If the capital improvement account is set aside for a major repair or replacement of a structural component, as opposed to the purchase of new assets or creation of an improvement, the Association shall attribute interest earned on the account to the Owners and provide a pro rata statement to each Owner no later than January 31st following the year in which the interest was earned.

D. *Excess Assessments.* No later than December 1st of each calendar year, the Members by a majority eligible to vote shall vote whether to (1) return excess assessments, if any, to the Owners according to their pro rata assessed share; (2) apply excess assessments to the next year's assessments; or (3) keep the excess assessments in the operational account which may be subject to income tax. The vote shall be by written ballot and may be by proxy on file with the Association. Every ballot shall include a statement that if the Members decide to apply the excess assessments to the next year's assessments that the application of these assessments shall be rolled over for one year only. In no event shall excess assessments be applied to capital improvement accounts.

12.4. *Review of Financial Records.* The Board of Directors shall review on at least a quarterly basis a current reconciliation of the Association's operating and capital improvement accounts, the current year's actual revenues and expenses compared to the current year's budget, and the latest account statements prepared by the financial

institutions where the Association has its accounts.

ARTICLE XIII

MISCELLANEOUS

13.1. *Amendments.* These Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of a quorum of the Members eligible to vote of the Association.

13.2. *Conflicts.* In the case of any conflict between the Articles of Association and these Bylaws, the Articles of Association shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

13.3. *Fiscal Year.* The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year.

13.4. *Business Signs.* All individual business signs presently on one of two sign boards adjacent to either the eastside parking lot or the westside parking lot shall remain in place until such time as the Board of Directors sets a meeting to address the issue of individual business signs. Said meeting shall be held on or before December 31, 2004.

Any action taken on the issue of individual business signs shall require amendment of these Bylaws, and may only be amended by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of a quorum of the Members eligible to vote of the Association.

CERTIFICATE

I, the undersigned, the duly elected and acting Secretary of 937 PROFESSIONAL CENTER OWNERS ASSOCIATION, an unincorporated California nonprofit association, do certify that these Bylaws were adopted as the Bylaws of the Association on this ____ day of _____, 2004, and that they do now constitute the Bylaws of the Association.

This Certificate is executed under penalty of perjury on this _____ day of 2004, in Santa Maria California.