

BYLAWS
OF
THE STRATFORD OF SAN MATEO HOMEOWNERS' ASSOCIATION,
A NONPROFIT MUTUAL BENEFIT CORPORATION

TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE 1 NAME	1
ARTICLE 2 PRINCIPAL OFFICE	1
ARTICLE 3 DEFINITIONS	1
ARTICLE 4 MEMBERSHIP AND VOTING RIGHTS	2
ARTICLE 5 MEETINGS OF MEMBERS	2
5.1 Annual Meetings	2
5.2 Special Meetings	2
5.3 Place of Meetings	3
5.4 Notice of Meetings	3
5.5 Quorum	3
5.6 Action Authorized in Absence of a Membership Meeting	3
5.7 Court Order for Meeting or Written Ballot	3
ARTICLE 6 BOARD OF DIRECTORS	4
6.1 Number of Directors	4
6.2 Nomination of Directors	4
6.3 Term and Election of Directors	5
6.4 Staggered Terms	5
6.5 Specially Elected Directors	5
6.6 Secret Ballot	6
6.7 Cumulative Voting	6
6.8 Vacancies on Board	7
(a) Events Resulting in Vacancy	7
(b) Filling Vacancy	8
6.9 Compensation of Directors	8
6.10 Resignation	8
ARTICLE 7 MEETINGS OF DIRECTORS	9
7.1 Regular Meetings	9
7.2 Special Meetings	9
7.3 Quorum	10
7.4 Open Meetings	10
7.5 Executive Session	10
7.6 Actions Without a Meeting	10
7.7 Telephone Meetings	11
7.8 Roberts' Rules of Order	11

	<u>PAGE</u>
ARTICLE 8	POWERS AND DUTIES OF THE BOARD 11
8.1	Powers 11
8.2	Duties 11
8.3	Standard of Care 12
8.4	Committees of the Board 12
8.5	Due Process Requirements 13
8.6	Financial Review Requirements 14
ARTICLE 9	OFFICERS 14
9.1	Officers Of The Association 14
9.2	Election Of Officers 14
9.3	Removal Or Resignation Of Officers 15
9.4	Vacancies In Office 15
9.5	Duties of Officers 15
	(i) President 15
	(ii) Vice President 15
	(iii) Secretary 16
	(iv) Chief Financial Officer 16
9.6	Joint Signatures 17
9.7	Compensation 18
ARTICLE 10	INDEMNIFICATION AND INSURANCE 18
ARTICLE 11	TAX-EXEMPT STATUS 18
11.1	Eligibility for Tax-Exempt Status 18
11.2	Filing of Annual Election 19
ARTICLE 12	AMENDMENTS 19
12.1	Amendment of Bylaws 19
12.2	Amendment of Articles 19
12.3	Amendment Restrictions 19
ARTICLE 13	GENERAL PROVISIONS 20
13.1	Conflict With Declaration 20
13.2	Fiscal Year 20
13.3	Records 20
13.4	Inspection Rights 21
13.5	Budgets, Financial Statements and Governing Documents 21
13.6	Effective Date 21
CERTIFICATE OF SECRETARY	22

BYLAWS

OF

THE STRATFORD OF SAN MATEO HOMEOWNERS' ASSOCIATION,
A NONPROFIT MUTUAL BENEFIT CORPORATION

ARTICLE 1

NAME

The name of the association is THE STRATFORD OF SAN MATEO HOMEOWNERS' ASSOCIATION (the "Association").

ARTICLE 2

PRINCIPAL OFFICE

The principal office of the Association is located at 601 Laurel Avenue, San Mateo, California, or at such other place as may be designated by the Board.

ARTICLE 3

DEFINITIONS

The definitions of the terms contained in Article 1 of the Declaration of Covenants, Conditions, and Restrictions, recorded on _____, 19____, as Instrument No. _____ in the office of the County Recorder of San Mateo County (the "Declaration") are incorporated in these Bylaws by reference and shall apply to those same terms as they appear in these Bylaws.

ARTICLE 4

MEMBERSHIP AND VOTING RIGHTS

The membership and voting rights provisions contained in Article 4 of the Declaration are incorporated in these Bylaws by reference.

ARTICLE 5

MEETINGS OF MEMBERS

5.1 Annual Meetings. The first annual meeting of Members shall be held within forty-five (45) days after the closing of the sale of the Condominium representing the 51st percentile interest authorized for sale under the first final subdivision public report for the Project issued by the California Department of Real Estate, but in no event later than six (6) months after the closing and recording of the sale of the first Condominium. Subsequent annual Membership meetings shall be held within thirty (30) days of the anniversary of the first annual meeting on dates fixed by the Board. If the date set for the annual meeting is a legal holiday, the meeting shall be held at the same time on the next business day.

5.2 Special Meetings. Special meetings of the Members may be called by the president or by a majority vote of the Board. In addition, special meetings of the Members must be called by the Board upon written request signed by Members representing at least five percent (5%) of the total voting power of the Association.

5.3 Place of Meetings. Meetings of the Members shall be held within the Project or at a meeting place as close to the Project as possible, as the Board may specify in writing.

5.4 Notice of Meetings. Whenever Members are required or permitted to take any action, a written notice of the meeting shall be given in accordance with the requirements of Section 7511 of the California Corporations Code.

5.5 Quorum. Members representing a majority of the total voting power of the Association, whether represented in person, by nominee, or by proxy, shall constitute a quorum at a meeting of the Members, unless otherwise provided in the Governing Documents or Section 7512 of the California Corporations Code. The absence of a quorum shall also be governed by Section 7512 of the California Corporations Code.

5.6 Action Authorized in Absence of a Membership Meeting. Any action which may be taken at any regular or special meeting of Members may be taken without a meeting, provided that it is taken by written consent or written ballot in compliance with Section 7513 or 7516 of the California Corporations Code.

5.7 Consent Order for Meeting or Written Ballot. If for any reason, it is impractical or unduly difficult to call or conduct a meeting of Members or directors or otherwise to obtain their consent in the manner prescribed in the Governing Documents or the Nonprofit Mutual Benefit Corporation Law, the procedure set forth in Section 7515 of the California Corporations Code shall be followed.

ARTICLE 6

BOARD OF DIRECTORS

6.1 Number of Directors. The Board shall consist of no less than five (5) and no more than nine (9) directors, as specified by the Board from time to time.

6.2 Nomination of Directors. After the appointment of initial directors, provided in Section 6.3 below, nomination for election to the Board shall be made by a nominating committee consisting of three (3) persons. The nominating committee shall consist of a chairperson, who shall be a director, and two other persons who may either be Members of the Association or representatives of Declarant. Each member of the nominating committee shall be appointed by the Board to serve for a period of one (1) year, and vacancies on the Board shall be filled by the Board. The nominating committee may make as many nominations as it desires, but not less than the number of positions to be filled. Nominations may be made from among Members or nonmembers.

Notwithstanding the foregoing, any member present in person or by proxy at a meeting in which one or more directors are to be elected may make a nomination at the meeting before the vote.

The Board shall adopt procedures that give nominees a reasonable opportunity to communicate their qualifications and reasons for candidacy to the Members and to solicit votes, and that give all Members an opportunity to choose among the

nominees. Without authorization of the Board, no Association funds may be expended to support a nominee for director after there are more nominees than can be elected.

6.3 Term and Election of Directors. The initial directors shall be appointed by the incorporator of the Association and shall hold office until the first annual Membership meeting. Successor directors shall be elected by the Members at the annual Membership meeting and shall hold office for ^{two 2} ~~three~~ (3) years, except as provided in Section 6.4 below. All directors shall serve until their successors are duly elected and qualified. No director's term shall be shortened as a result of a decrease in the designated number of directors.

6.4 Staggered Terms. The directors shall serve staggered terms to the extent permitted and as provided in Section 2792.19(d) of Title 10 of the California Code of Regulations or its successor regulation. If allowed, staggered terms shall be instituted at the first annual Membership meeting.

6.5 Specially Elected Directors. As long as a majority of the voting power of the Association resides in Declarant, or as long as there are two outstanding classes of Membership in the Association, no less than 20 percent of the directors shall be elected Members other than Declarant. If Members other than Declarant are unable to elect at least 20 percent of the directors by the exercise of cumulative voting or otherwise, the number of positions on the Board necessary to meet the 20 percent requirement shall be filled by nominees elected by

Members other than Declarant (the "specially elected" directors). Nominations for specially elected directors may be made by any Member other than Declarant by submitting a written nomination before the meeting to the secretary of the Association, or by placing a name in nomination at the meeting prior to the vote. A specially elected director may be removed prior to the expiration of his or her term only by the vote or written assent of Members other than Declarant who hold a majority of the voting rights other than the voting rights held by Declarant. In case of the death, resignation or removal of a specially elected director, a successor shall be elected by Members other than Declarant to hold office for the unexpired term of his or her predecessor and until a successor has been elected and qualified. Except as otherwise provided in this Section, the provisions of the Declaration, the Articles and these Bylaws applicable to directors, including their election, removal, rights, and duties, shall apply to specially elected directors.

6.6 Secret Ballot. The election of directors shall be by secret written ballot.

6.7 Cumulative Voting. The election of directors may be by cumulative voting as described herein, provided that a Member has placed a candidate's name in nomination prior to the vote and has given notice at the meeting prior to the vote of the Member's intention to cumulate votes. If any Member has given such notice, then all Members shall have the right to cumulate their votes for candidates in nomination. Under cumulative

voting, each Member, either in person or by proxy, may give a single candidate the number of votes equal to the number of directors to be elected multiplied by the number of votes the Member is entitled to exercise under the Declaration, or the Member may distribute these cumulated votes among any two or more candidates as the Member desires. The candidates receiving the highest number of votes up to the number of Board members to be elected shall be elected. Unless the entire Board is removed by a vote of the Members, an individual director may not be removed prior to the expiration of his or her term if the votes against removal would have been sufficient to elect that director if cast cumulatively at an election at which the same total number of votes were cast and all directors authorized at the time of the most recent election of that director were being elected. These cumulative voting provisions do not apply to the election of special directors by Members other than Declarant under Section 6.5 above.

6.8 Vacancies on Board.

(a) Events Resulting in Vacancy. A vacancy on the Board shall exist on the occurrence of any of the following: (i) the death of any director; (ii) the effective date of any director's resignation; (iii) the removal of a director by vote of the Members; (iv) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by an order of court, convicted of a felony, or determined by the Medical Director of The Stratford to have a

physical or mental disability that prevents full performance of his or her duties; (v) an increase in the authorized number of directors; or (vi) the failure of the Members, at any Membership meeting at which any director is to be elected, to elect the number of directors required to be elected at that meeting.

(b) Filling Vacancy. Any vacancy on the Board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director, except for a vacancy created by removal of a director by vote of the Members, which vacancy shall be filled by the Members. In addition, the Members may fill any vacancy not filled by the directors. Any director elected to fill a vacancy shall hold office until the expiration of the term of his or her predecessor and until a successor has been duly elected and qualified.

6.9 Compensation of Directors. A director shall not receive any compensation for services rendered to the Association as a director, but may be reimbursed for out-of-pocket expenses incurred in the performance of his or her duties.

6.10 Resignation. Any director may resign by giving written notice to the president, the secretary, or the Board. The resignation shall take immediate effect unless the notice specifies a later date.

ARTICLE 7

MEETINGS OF DIRECTORS

7.1 Regular Meetings. Regular meetings of the Board shall be held monthly at such place within the Project, and at such time, as may be fixed from time to time by resolution of the Board. Notice of the time and place of and agenda for each such meeting shall be:

(a) Communicated to each director in person or by written notice no less than three (3) days before the meeting, provided, however, that notice need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting (which waiver or consent shall be filed with the corporate records or made a part of the minutes of the meeting); and

(b) Posted on the administrative announcement board at the Project at least three (3) days before the meeting.

7.2 Special Meetings. Special meetings of the Board may be called by the president of the Association or by any two (2) directors. The notice of such meeting shall specify the time and place of the meeting and the proposed action to be considered. The notice shall be conveyed to all directors either by first-class mail no less than four (4) days before the meeting or by a message delivered personally, by telephone or by facsimile no less than forty-eight (48) hours before the meeting. Notwithstanding the foregoing, notice of a special meeting need not be given to any director who signs a waiver of notice or a

written consent to holding the meeting. Such waiver of notice or written consent shall be filed with the Association's records.

7.3 Quorum. A majority of the number of directors then in office shall constitute a quorum. If a quorum is present, the decision of a majority of the directors present shall constitute the act of the Board. A quorum is not required to adjourn a meeting of the Board.

7.4 Open Meetings. Regular and special meetings of the Board shall be open to all Members; provided, however, that Members who are not on the Board may not participate in any deliberation or discussion unless expressly authorized by the vote of a majority of the Board.

7.5 Executive Session. The Board may, with the approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and/or vote upon personnel matters, litigation in which the Association is or may become involved, and other business of a sensitive nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

7.6 Actions Without a Meeting. The Board may take action without a meeting if all of the directors consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take an action, an explanation of the action taken shall be posted within three (3) days after the resolution on the administrative announcement board at the

Project. The unanimous written consent shall be filed with the minutes of the Board.

7.7 Telephone Meetings. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one another. All such directors shall be deemed to be present in person at such meeting. An explanation of the action taken shall be posted on the administrative announcement board at the Project within three (3) days after the meeting.

7.8 Roberts' Rules of Order. All meetings shall be conducted in accordance with Roberts' Rules of Order (Revised).

ARTICLE 8

POWERS AND DUTIES OF THE BOARD

8.1 Powers. The Board shall have all powers conferred on the Association in the Declaration, Articles, these Bylaws and the California Nonprofit Mutual Benefit Corporation Law, except those powers expressly reserved to the Members or that require advance approval of the Members. The Board shall appoint and remove at its pleasure all officers, agents and employees of the Association, and shall prescribe powers and duties for them that are consistent with the Declaration, Articles, these Bylaws and any applicable laws.

8.2 Duties. The Board shall be responsible for the performance of the duties of the Association set forth in the

Declaration, and shall supervise all officers, agents and employees of the Association in the proper performance of their duties.

8.3 Standard of Care. Each director shall perform his or her duties as a director, and as a member of any committee of the Board on which the director serves, in good faith, in a manner the director believes to be in the best interests of the Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

8.4 Committees of the Board. The Board may, by resolution adopted by a majority of the directors then in office, create one or more committees. Each committee shall serve at the pleasure of the Board and consist of two or more directors appointed by majority vote of the directors then in office. Each committee shall have all powers conferred on it by the Board, except that no committee, regardless of Board resolution, may:

- (i) take any final action on any matter which, under the Declaration or the Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members or of a majority of all Members;

- (ii) fill vacancies on the Board or on any committee which has the authority of the Board;

- (iii) amend or repeal these Bylaws or adopt new bylaws;

(iv) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;

(v) appoint any other committees of the Board or members of those committees;

(vi) expend corporate funds to support a nominee for director after there are more nominees than can be elected; or

(vii) with regard to any assets held in charitable trust, approve any self-dealing transaction.

All meetings and actions of committees of the Board shall be governed by the provisions of these Bylaws governing meetings and actions of the Board. Minutes of each committee meeting shall be kept and filed with the corporate records.

8.5 Due Process Requirements. Before the Board imposes any monetary penalties or suspensions of Membership rights or Common Area use privileges against any Member for failure to comply with the Declaration, Articles, these Bylaws, or Rules, the Board must act in good faith and must satisfy each of the following requirements:

(i) The Member must be given fifteen (15) days' prior written notice of the discipline to be imposed and the reasons for imposition of the discipline. The notice may be given by any method reasonably calculated to give actual notice. If the notice is given by mail, it must be sent by first class or

registered mail to the last address of the member shown on the Association's records; and

(ii) The Member must be given an opportunity to be heard, orally or in writing, by the Board, no less than five (5) days before the effective date of imposition of the discipline.

8.6 Financial Review Requirements. The Board shall review, on at least a quarterly basis, a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared with the current year's budget, and an income and expense statement from the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions at which the Association maintains its operating and reserve accounts.

ARTICLE 9

OFFICERS

9.1 Officers Of The Association. The officers of the Association shall be a president, a secretary and a chief financial officer. The Association may also have, at the discretion of the Board, one or more vice presidents, assistant secretaries, assistant treasurers, and such other officers as the Board may appoint in its discretion. Any number of offices may be held by the same person.

9.2 Election Of Officers. The officers shall be elected annually by the Board and shall serve at the pleasure of

the Board. The Board shall appoint one of its directors as president and one as chief financial officer. The other officers need not be directors.

9.3 Removal Or Resignation Of Officers. Any officer may be removed with or without cause by the Board and may resign at any time by giving written notice to the Association. Any such resignation shall take effect immediately, unless a later time is specified in the notice. Unless otherwise specified in the notice, acceptance of the resignation shall not be necessary to make it effective.

9.4 Vacancies In Office. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

9.5 Duties of Officers. The duties of the officers shall be as follows:

(i) President. The president shall be the general manager and chief executive officer of the Association and shall generally supervise, direct and control the Association's activities, affairs and officers. The president shall preside at all meetings of Members and at all meetings of the Board, and shall have such other powers and duties as may be prescribed by the Board.

(ii) Vice President. In the absence of the president, the vice president, if any, shall perform all of the duties of the president. When so acting, the vice president

shall have all of the powers of and be subject to all of the restrictions on the president. The vice president shall have such other powers and perform such other duties as may be prescribed by the Board. If there is more than one vice president, the Board shall designate a vice president to act in the president's absence.

(iii) Secretary. The secretary shall keep or cause to be kept, at the Association's principal office, all of the following:

(a) A book of minutes of all meetings, proceedings and actions of the Board, committees of the Board and Members. The minutes of each meeting shall state the time and place of the meeting, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present or represented at the meetings.

(b) A copy of the Articles, Bylaws, Rules and Declaration, as amended to date; and

(c) A record of all Members' names, addresses and telephone numbers.

Except as otherwise provided in these Bylaws, the secretary shall give, or cause to be given, all notices required by these Bylaws. The secretary shall have such other powers and perform such other duties as may be prescribed by the Board.

(iv) Chief Financial Officer. The chief financial officer shall: (a) keep and maintain, or cause to be kept and

maintained, adequate and correct books and accounts of the properties and transactions of the Association; (b) send or cause to be sent to the Members and directors all financial statements and reports required by law, the Declaration, these Bylaws, or the Board; (c) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board; (d) disburse the funds of the Association as ordered by the Board; (e) render to the president and the Board, when requested, accounts of all transactions made on behalf of the Association and accounts of the financial condition of the Association; and (f) have such other powers and perform such other duties as may be prescribed by the Board.

9.6 Joint Signatures. Unless the Board authorizes more stringent requirements, any check or other negotiable instrument issued by the Association shall require the joint signatures of any two of the following officers: the president, chief financial officer and secretary; provided, however, that under all circumstances, the withdrawal of any money from the Association's reserve accounts shall require the signatures of two directors or one director and one officer who is not a director. For the purpose of these Bylaws, "reserve accounts" shall mean money that the Board has identified from its annual budget for use to defray the cost of fulfilling the Association's powers and duties, as described in Article 3 of the Declaration.

9.7 Compensation. Officers shall not receive any compensation for any service rendered to the Association as officers, but may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.

ARTICLE 10

INDEMNIFICATION AND INSURANCE

The Association shall indemnify any director, officer, employee, or other agent of the Association to the fullest extent authorized under the California Corporations Code or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding, upon receipt of an undertaking by or on behalf of the agent to repay such amount, unless it is ultimately determined that the agent is entitled to indemnification under this Article.

ARTICLE 11

TAX-EXEMPT STATUS

11.1 Eligibility for Tax-Exempt Status. The Board and Members shall conduct the business of the Association in a manner that enables the Association (a) to qualify for and maintain status as an organization exempt from State income taxes under California Revenue and Taxation Code Section 23701t, as amended; and (b) to elect to be taxed under Section 528 of the Internal Revenue Code, as amended.

11.2 Filing of Annual Election. The Board shall file the annual election under Section 528 of the Internal Revenue Code, as amended, if the Board in its sole discretion determines that such election is in the best interests of the Association.

ARTICLE 12

AMENDMENTS

12.1 Amendment of Bylaws. These Bylaws may be amended at any meeting of the Members at which at least a quorum is present, by the vote or written consent of a majority of the Members present at the meeting (in person or by proxy), and by a majority of the Members other than Declarant. If a two-class voting structure is still in effect at the time of such vote, amendment of these Bylaws shall also require the vote or written consent of a majority of a quorum of both classes of Membership.

12.2 Amendment of Articles. The Articles of Incorporation of the Association may be amended only by the vote or written consent of a majority of the Board, a majority of the voting power of the Association, and a majority of the voting Members other than Declarant, as defined in the Declaration. If a two-class voting structure is still in effect at the time of such vote, amendment of the Articles shall also require the vote or written consent of a majority of a quorum of both classes of Membership.

12.3 Amendment Restrictions. Notwithstanding the amendment requirements contained in Sections 12.1 and 12.2 above,

(i) the percentage of the voting power of the Association or of Members other than Declarant necessary to amend a specific provision in these Bylaws or the Articles shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that provision; and (ii) if applicable, any amendment to the Articles or Bylaws shall satisfy the requirements of California Business and Professions Code Section 11018.7 and the requirements contained in the Declaration.

ARTICLE 13

GENERAL PROVISIONS

13.1 Conflict With Declaration. If any provision of these Bylaws conflicts with any provision of the Declaration, the Declaration shall control to the extent of such conflict.

13.2 Fiscal Year. Unless the Board determines otherwise, the fiscal year of the Association shall be the calendar year.

13.3 Records. The Association shall maintain:

- (i) adequate and correct books and records of account;
- (ii) written minutes of all proceedings of its Members, Board and committees of the Board;
- (iii) a record of all Members' names, addresses and telephone numbers; and
- (iv) the original or a copy of the Declaration, Articles, these Bylaws and the Rules, as amended to date.

13.4 Inspection Rights. The inspection rights of Members and directors contained in Section 3.7 of the Declaration are expressly incorporated herein by reference.

13.5 Budgets, Financial Statements and Governing Documents. The Association's preparation and distribution responsibilities with respect to budgets, financial statements and Governing Documents contained in Section 3.6 of the Declaration are expressly incorporated herein by reference.

13.6 Effective Date. These Bylaws shall become effective on the date of recordation of the Declaration in the Office of the County Recorder, San Mateo County, California.

CERTIFICATE OF SECRETARY

I certify that: (i) I am the duly elected and acting secretary of The Stratford of San Mateo Homeowners' Association, a California nonprofit mutual benefit corporation; (ii) the above Bylaws, consisting of twenty-two (22) pages, including this page, are the Bylaws of this corporation, as duly adopted by the Incorporator on _____, 19__; and (iii) the Bylaws have not been amended or modified since that date.

Executed on _____, 19__, at San Mateo, California.

_____, Secretary