

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)

**LEVY, ERLANGER & COMPANY
Certified Public Accountants
San Francisco, California**

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

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LEVY, ERLANGER & COMPANY
Certified Public Accountants

290 King Street, Suite 12
San Francisco, CA 94107

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board Of Directors
800 North 8th Street Homeowners Association
San Jose, California

We have reviewed the accompanying financial statements of **800 North 8th Street Homeowners Association** (the Association) which comprise the balance sheet as of December 31, 2015 and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

Management is responsible for the accompanying financial statements of **800 North 8th Street Homeowners Association**, which comprise the balance sheet as of December 31, 2014, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. We performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the 2014 statements.

Future Major Repairs and Replacements

As further discussed in the notes to the financial statements, the Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting replacement reserve funding plan is a function of the completeness of the major component list and the accuracy of the estimated quantity, useful and remaining lives, and replacement costs of those components.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until sufficient funds are available.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Levy, Erlanger & Company

March 17, 2016

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**BALANCE SHEETS
DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

	<u>2015</u>			<u>2014</u>
	<u>Operations</u>	<u>Replacement</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents (Note 2)	\$ 138,216	\$ 196,168	\$ 334,384	\$ 1,733,068
Assessments receivable, less allowance for doubtful accounts of \$26,000 and \$70,000, respectively (Note 2)	4,833		4,833	3,483
Prepaid insurance	4,565		4,565	20,539
Total assets	<u>\$ 147,614</u>	<u>\$ 196,168</u>	<u>\$ 343,782</u>	<u>\$ 1,757,090</u>
LIABILITIES				
Accounts payable	\$ 11,549	\$ -	\$ 11,549	\$ 458,772
Assessments paid in advance	5,080		5,080	3,317
Resident refunds	890		890	
Future major repairs and replacements (Note 3)	-	-	-	-
Total liabilities	<u>17,519</u>	<u>-</u>	<u>17,519</u>	<u>462,089</u>
COMMITMENTS				
	-	-	-	-
FUND BALANCE (DEFICIT)	<u>130,095</u>	<u>196,168</u>	<u>326,263</u>	<u>1,295,001</u>
Total liabilities and fund balance	<u>\$ 147,614</u>	<u>\$ 196,168</u>	<u>\$ 343,782</u>	<u>\$ 1,757,090</u>

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

	2015			2014
	Operations Fund	Replacement Fund	Total Funds	Total Funds
REVENUES				
Assessments	\$ 221,504	\$ 85,000	\$ 306,504	\$ 289,080
Interest income (Note 2)	25	65	90	135
Late charges and other income	2,980		2,980	3,852
Total revenues	224,509	85,065	309,574	293,067
EXPENSES				
<u>Administration</u>				
Bad debt expense (recovery)	(5,000)	-	(5,000)	2,000
Insurance	23,530		23,530	22,695
Legal and accounting	1,745	26,829	28,574	2,848
Management	20,959		20,959	20,250
Office, printing and postage	2,978		2,978	2,563
Reserve study				375
	44,212	26,829	71,041	50,731
<u>Maintenance and operations</u>				
Elevator maintenance	8,903	-	8,903	10,192
Exterior doors and project management				15,458
Fence maintenance	4,843		4,843	5,432
Fire alarm and safety systems	10,100		10,100	13,384
Gates maintenance	482		482	5,187
Janitorial services	19,526		19,526	20,822
Landscape maintenance	10,160		10,160	11,210
Lighting	1,158		1,158	4,450
Locks and keys	776		776	3,639
Pest control	1,210		1,210	1,210
Plumbing maintenance	14,883		14,883	21,380
Security services				8,951
Other maintenance and operations	15,376		15,376	16,353
	87,417	-	87,417	137,668

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

	2015			2014
	Operations Fund	Replacement Fund	Total Funds	Total Funds
EXPENSES (CONTINUED)				
<u>Utilities</u>				
Garbage collection	\$ 21,889	\$ -	\$ 21,889	\$ 21,978
Gas and electricity	37,504		37,504	38,752
Telephone	14,035		14,035	9,725
Water and sewer	28,336		28,336	22,250
	<u>101,764</u>	<u>-</u>	<u>101,764</u>	<u>92,705</u>
<u>Major repairs and replacements</u>				
Plumbing	-	-	-	3,401
Reconstruction expense		995,028	995,028	475,758
Other major repairs and replacements		23,062	23,062	
	<u>-</u>	<u>1,018,090</u>	<u>1,018,090</u>	<u>479,159</u>
Total expenses	<u>233,393</u>	<u>1,044,919</u>	<u>1,278,312</u>	<u>760,263</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(8,884)	(959,854)	(968,738)	(467,196)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	8,450	(8,450)	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>130,529</u>	<u>1,164,472</u>	<u>1,295,001</u>	<u>1,762,197</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 130,095</u>	<u>\$ 196,168</u>	<u>\$ 326,263</u>	<u>\$ 1,295,001</u>

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

	2015		2014	
	Operations Fund	Replacement Fund	Total Funds	Total Funds
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (8,884)	\$ (959,854)	\$ (968,738)	\$ (467,196)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Bad debt expense (recovery)	(5,000)	-	(5,000)	2,000
Decrease (increase) in assets:				
Assessments receivable	3,650		3,650	(2,061)
Prepaid insurance	15,974		15,974	(13,890)
Increase (decrease) in liabilities:				
Accounts payable	(1,884)	(445,339)	(447,223)	450,595
Assessments paid in advance	1,763		1,763	(573)
Resident refunds	890		890	
Due to (due from) other fund	(13,408)	13,408		
Total adjustments	1,985	(431,931)	(429,946)	436,071
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(6,899)	(1,391,785)	(1,398,684)	(31,125)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,899)	(1,391,785)	(1,398,684)	(31,125)
BOARD-APPROVED INTERFUND RECLASSIFICATIONS AND TRANSFERS	8,450	(8,450)	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,665	1,596,403	1,733,068	1,764,193
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 138,216	\$ 196,168	\$ 334,384	\$ 1,733,068
<u>Supplemental Disclosures</u>				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ -	\$ -	\$ -	\$ -

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)

1. THE ASSOCIATION

800 North 8th Street Homeowners Association (the Association) is a common interest development located in San Jose, California which consists of 66 residential units and certain common area property. The Association was organized as a nonprofit mutual-benefit corporation in April 2004 to provide for management, maintenance and architectural control of the individual units and the common area property. The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), by laws, and rules and regulations. Major decisions, as determined by the CC&Rs, are referred to the Association owners as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assessments. Association members are subject to annual assessments, usually payable in equal monthly installments, to provide funds for operating expenses and major repairs and replacements. In addition to regular annual assessments, special and/or emergency assessments may be imposed by the Association's Board Of Directors, under certain circumstances without member approval. Any excess assessments at year end are retained by the Association for use in the succeeding year. Revenues and expenses and information about future major repairs and replacements are explained in greater detail in the annually-distributed pro forma operating budget (pursuant to California Civil Code Section 5300).

Assessments receivable at the balance sheet date represents the aggregate amount of assessments due from unit owners. The Association's policy is to retain a collection service and/or legal counsel and place liens on the properties of owners whose assessments are delinquent. In certain instances, foreclosure may be necessary. The collection process is explained in greater detail in the annually distributed annual statement of collection procedure (pursuant to California Civil Code Section 5730). Because of these collection procedures, the Board believes that, subject to a reasonable allowance for doubtful accounts, if any, all assessments are collectible. The estimate of allowance for doubtful accounts, if any, is based, generally, on amounts past due greater than 90 to 120 days.

See independent accountants' review report.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation. The accompanying financial statements, and the Association's corporate income tax returns, have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents. For purposes of the statement of cash flows, the Association considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents are classified with cash in the balance sheet.

Concentrations of credit risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Association maintains its financial instruments with what management believes to be high credit quality financial institutions and limits the amount of credit exposure to any one particular institution. Cash, cash equivalents and investments in excess of federal deposit insurance (FDIC) coverage limits as of December 31, 2015 totaled approximately \$100,000.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

Fund accounting. The Association's governing documents provide certain guidelines for governing its financial activities. To ensure the observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in two funds established according to their nature and purpose. The operations fund is used to account for the financial resources available for the general day-to-day operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

See independent accountants' review report.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes are paid on income from sources which are not related to the nonprofit, membership purposes of the Association. Nonmembership income, less related nonmembership expenses, subject to federal and California income taxes includes interest earned on cash and cash equivalents, and investments.

For federal purposes, the Association may elect to be taxed as either a regular corporation or as a homeowners association. In the former instance, it is taxed at graduated rates from 15% to 39% on net nonmember income; in the latter case it is taxed on net nonexempt function income (which is generally similar to net nonmember income) at a flat 30% rate. California income taxes approximate 9% of taxable income.

The Association's tax filings are subject to audit by various taxing authorities: federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service and California income tax returns for the previous four years remain open to examination by the Franchise Tax Board. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Interest earned on operations and replacement funds, net of related income taxes, is retained in said respective funds.

Membership in the Association is mandatory by virtue of unit ownership.

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board Of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

See independent accountants' review report.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and California state law (Civil Code Section 5300), require that the Board Of Directors provide for the repair and replacement of Association common area major components. Accordingly, funds which comprise the replacement fund are not generally available for the payment of day-to-day operating expenses.

The Association has completed a study of its common area major components sufficient to assist the Board in planning for future major repairs and replacements. The reasonableness of the resulting reserve funding plan is a function of the completeness of the major component list, the accuracy of the estimated quantity, useful and remaining lives and current replacement costs of those components, and the reasonableness of significant funding assumptions, including but not limited to the projected major component cost increases (aka inflation) and interest earning rate(s) on replacement fund cash balances.

Funds are being accumulated in the replacement fund based on estimated future costs for repair and replacement of common area property. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future component repair and replacement costs. The ability of the Association to fund its future requirements is dependent upon annual increases in that portion of the assessment which is allocated to the replacement fund, and/or special assessments. In the event that funds are not available when needed, the Board may, subject to the constraints of California law and the Association's governing documents, increase regular assessments, levy special assessments, and/or delay repair and replacement of common area major components until funds are available.

Additional information about future major repairs and replacements may be found in the annually-distributed pro forma operating budget and related assessment and reserve funding disclosure summary (pursuant to California Civil Code Section 5300).

See independent accountants' review report.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 (REVIEWED) AND 2014 (COMPILED)**

4. COMMITMENTS

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' advance notice.

5. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 17, 2016, the date that the financial statements were available to be issued.

See independent accountants' review report.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(COMPILED WITHOUT AUDIT OR REVIEW)**

The following information on common area major components was compiled by Associa Reserve Studies of Campbell, California as of November 2014 and has served as the basis for the current estimates of replacement reserve funding:

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
ROADS				
1 Asphalt Sealing	0	5	1,771	1,771
2 Asphalt Repair Allowance	0	5	1,575	1,575
3 Asphalt Replacement	30	40	46,282	11,570
ASPHALT STRIPING AND CURB PAINTING				
4 White Striping	0	5	152	152
5 Handicap Symbol	0	5	26	26
6 800 N. 8th Guest Parking Designations	0	5	79	79
7 Red Curb Paint	0	5	245	245
8 Green Curb Paint	0	5	58	58
CONCRETE - SITE				
9 Repair Allowance	0	10	1,050	1,050
FENCING, RAILINGS AND SECURITY GRILLES				
10 Concrete Fence at Property Line Repair Allowance	0	10	1,050	1,050
11 Metal Fence at Property Line - Repair Allowance	0	6	2,100	2,100
12 Security Grilles at Parking Garage -Repair Allowance	0	6	1,050	1,050
IRRIGATION AND LANDSCAPING				
13 Irrigation Controller (Install Smart Controller)	0	15	1,890	1,890
14 Submit Irrigation Upgrade Plan for Permit	3	30	2,100	1,890
15 Irrigation Distribution System Renovate/Remod	4	30	5,250	4,550
16 Backflow Preventer	10	20	3,413	1,706
17 Backflow Preventer Cage	10	20	1,050	525
17 Irrigation System Repair Allowance	0	1	1,050	1,050
18 Tree Care Allowance	0	1	3,675	3,675
19 Planting Replacement Allowance	0	1	1,050	1,050
BUILDING SPRINKLER SYSTEM				
20 8" Gate Valves	30	40	21,850	5,463
21 8" OS & Y Valves	30	40	14,375	3,594
22 4" Gate Valves	30	40	15,813	3,953
23 5 Year Certification	3	5	2,625	1,050
BUILDING STANDPIPE SYSTEM				
24 4" Gate Valves	30	40	37,950	9,488
25 4" Backflow Preventer	30	40	5,175	1,294
26 8" Gate Valves	30	40	5,233	1,308
27 Auto Flow Switches	10	20	7,875	3,938
28 Pressure Gauges	10	20	4,043	2,021
SUMP PUMP SYSTEM				
29 Sump Pump Controllers	20	30	10,500	3,500
30 Sump Pumps - Parking Garage	5	15	5,250	3,500
31 Sump Pumps - Site	5	15	1,050	700

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(COMPILED WITHOUT AUDIT OR REVIEW)**

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
BUILDING FIRE ALARM SYSTEM				
32 Main Panels	20	30	34,500	11,500
33 Annunciator Panels	20	30	11,500	3,833
34 Power Supplies	5	15	6,900	4,600
35 Audio Only Alarm Bell	10	20	1,006	503
36 Audio/Visual Alarm Bells	20	30	34,069	11,366
37 Pull Stations	20	30	3,421	1,140
38 Smoke Detectors - Common Area	15	25	3,738	1,495
39 Smoke Detectors - Units (assumed)	15	25	74,003	29,601
40 Fire Extinguishers	0	10	3,450	3,450
41 Fire Extinguisher Cabinets	10	20	10,350	5,175
42 5 Year Certification	3	5	2,625	1,050
BUILDING HOT WATER HEATING SYSTEM				
43 Boilers	5	15	40,250	26,833
44 Boiler Controller	5	15	1,725	1,150
45 Storage Tank	20	30	28,750	9,583
46 Expansion Tank	20	30	1,150	383
47 Circulating Pumps	0	5	3,780	3,780
48 Recirculating Pumps	0	5	3,150	3,150
49 2 Hp Air Compressor	0	10	2,825	2,825
HANDICAP LIFT				
50 Annual Repair Allowance	0	1	2,100	2,100
4 STORY HYDRAULIC ELEVATOR				
51 Plunger	50	60	47,250	7,875
52 Door Operators	20	30	3,675	1,225
53 Pump Unit	20	30	8,925	2,975
54 Piston/Head Unit	20	30	14,175	4,725
55 Electrical Controller	20	30	26,250	8,750
56 Emergency Call Device	10	20	1,838	919
57 Cab Redecorate	10	20	7,875	3,938
58 5 Year Load Test	0	5	1,050	1,050
PARKING GARAGE				
59 11' x 8' Auto Gates	20	30	13,650	4,550
60 Man Gates	20	30	2,625	875
61 Auto Gates Motors	5	15	5,250	3,500
62 Auto Gate Vehicle Loops	5	15	2,100	1,400
63 Cyclone Fence	30	40	2,168	542
64 Striping - White	0	10	4,239	4,239
65 Striping - Handicap Symbols	0	10	131	131
66 Striping - Space Numbers	0	10	2,079	2,079
PARKING GARAGE EXHAUST SYSTEM				
67 15 Hp Exhaust Fan	20	30	7,875	2,625
68 15Hp Exhaust Fan Motor	5	15	3,675	2,450

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(COMPILED WITHOUT AUDIT OR REVIEW)**

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
69 CO Monitors	15	25	5,250	2,100
70 CO Detectors	15	25	3,938	1,575
PARKING GARAGE ELEVATOR LOBBY				
71 Rubber Floor	20	30	515	172
72 Supply Fan	5	15	1,313	875
ELECTRICAL				
73 4' - 2 Tube Fluorescent Lights - Garage	15	25	630	252
74 4' - 2 Tube Fluorescent Lights - Mechanical Rm	15	25	3,150	1,260
75 Ceiling Mount Halogen Lights - Garage	15	25	17,220	6,888
76 Wall Mount Nautical Lights - Garage	15	25	945	378
77 Intercom Panels	15	25	9,450	3,780
78 Silver Bollard Lights - Site	15	25	2,888	1,155
79 Step Lights	15	25	4,620	1,848
80 HID Wall Mount lights - Building Exterior	15	25	5,880	2,352
81 Tree Spots	15	25	5,670	2,268
82 Bollard Lights - Courtyard	15	25	5,513	2,205
83 Decorative Area Lights - Courtyard	15	25	788	315
84 Square Wall Mount Lights - Building Exterior	15	25	14,805	5,922
85 Unit Entry Lights - Wall Mount	15	25	2,520	1,008
86 4' - 2 Tube Fluorescent Lights - Exit Stairs	15	25	3,150	1,260
87 4' - 2 Tube Fluorescent Lights - Trash rooms	15	25	788	315
88 Wall/Ceiling Mount Hall/Walk Lights	15	25	72,765	29,106
89 Round Recessed Lights - Hall/Walk	15	25	12,128	4,851
90 Emergency Lights	15	25	30,188	12,075
91 Exit Signs - Powered	15	25	17,404	6,962
92 Exit Signs - Self Illuminating	5	15	13,598	9,065
COURTYARD/PODIUM SLAB				
93 Entry Trellis Repair Allowance	0	10	1,050	1,050
94 Aluminum Entry Door	20	30	18,900	6,300
95 Brick Paver Replacement Allowance	7	10	1,575	473
96 Courtyard Waterproofing Repair Allowance	7	10	1,575	473
97 Bulletin Board	20	30	4,725	1,575
98 Mail Boxes	20	30	10,710	3,570
99 Outgoing Mail Boxes	20	30	840	280
100 Parcel Boxes	20	30	525	175
101 Built In Planters - Waterproof	15	25	207,912	83,165
102 Built In Planters - Replant	15	25	346,500	138,600
103 Round Freestanding Planters - Replant	15	25	6,300	2,520
104 Rectangular Free Standing Planters - Replant	15	25	3,150	1,260
105 Benches	15	25	2,310	924
TRASH ROOMS				
106 Trash Chute Doors	15	25	9,450	3,780
BUILDING EXTERIORS				

See independent accountants' review report and accompanying notes.

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(COMPILED WITHOUT AUDIT OR REVIEW)**

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
107 Concrete Roofing Tiles - Replace	50	60	399,510	66,585
108 Concrete Roofing Tiles - Repaper/Reflash	20	30	213,072	71,024
109 Gutters	15	25	21,988	8,795
110 Downspouts	15	25	18,285	7,314
111 Balconies - Elastomeric Resurfacing	0	10	51,109	51,109
PAINTING				
112 Major Plumbing Equipment - Site	0	5	1,438	1,438
113 Metal Fence at Property Line	0	5	10,557	10,557
114 Parking Garage Gates and Grilles	0	5	1,403	1,403
115 Metal Gates at Units/Exit Stairs	0	5	863	863
116 Full Height Metal Railings	0	5	29,644	29,644
117 Wall Mount Railings	0	5	2,506	2,506
118 Paint Metal Stair Stringers	0	5	607	607
119 Courtyard Entry Trellis	0	5	216	216
120 Doors	0	10	11,213	11,213
121 Paint Parking Garage Elevator Lobby	0	10	596	596
122 Paint Exit Stair Interiors	0	10	11,187	11,187
123 Paint Trash Room Interiors	0	10	1,697	1,697
124 Paint Stucco	2	12	189,457	167,881
125 Paint Gutters	2	12	2,749	2,290
126 Paint Downspouts	2	12	3,048	2,540
127 Paint Wood Trim/Roof Overhangs	0	6	5,497	5,487
BUILDING REPAIR ALLOWANCES				
128 Door Replacement Allowance	0	10	3,450	3,450
129 Tile Roof Inspection/Repair Allowance	0	2	5,750	5,750
130 Metal Awing Repair Allowance	0	10	1,150	1,150
131 Railings/Gates Repair Allowance	0	5	5,750	5,750
132 Signage Replacement Allowance	10	20	5,750	2,875
133 Stucco Repair Allowance	2	12	17,250	14,375
134 Wood Trim/Roof Overhang Repair Allowance	0	6	4,600	4,600
135 Balcony Repair Allowance	0	10	5,750	5,750
Projected Fully Funded Balance (Total)				1,084,817.48

The Association has conducted a study to estimate the useful and remaining lives and current replacement costs of common property major components. Funding requirements consider an estimated **after-tax interest rate** of **1-1/2%** on replacement fund cash balances and an annual **inflation rate** of **2-1/2%** on major component replacement costs. The replacement fund **cash** and investment balances at December 31, 2015 totaled **\$196,168**. The estimated **liability** for major repairs and replacements at December 31, 2014 totaled approximately **\$1,085,000** but has not been updated since this date. The portion of **2016 regular assessments** budgeted to be allocated to the replacement fund totals **\$97,750**.

See independent accountants' review report and accompanying notes.

800 North 8th Street Homeowners Association

November 18, 2016

Dear Homeowner,

Enclosed you will find the 2017 Budget for your Association that was approved by your Board of Directors. It is accompanied by the mandated disclosures and the most recent reserve study analysis. Please review these important documents, and keep them with your other important Association records for future reference.

The Board has worked hard to prepare a budget that meets the demands of our Homeowners Association. Following a very careful review and deliberation, the Board determined that it is necessary to increase the regular assessments from \$387.00 per unit per month to \$399.00 per unit per month, effective January 1, 2017.

As fellow homeowners who also pay these assessments, we do not enjoy the idea of increasing the amount we pay each month, but please consider the following:

-The Association is responsible for maintaining and providing for a wide variety of components and services which benefit the community, including: insurance policies, roofing and building exteriors, shared plumbing systems, water boilers and softener systems, water and electricity utilities, garbage and recycling, motorized and electronic access control gates, landscaping, an elevator, an electric wheelchair lift, and fire alarm and fire sprinkler systems. Many common area components require ongoing maintenance and repair services, and the list of major components and services maintained by the Association is quite extensive.

-This increase from \$387 to \$399 is only a 3% increase.

-Repairs were completed to several of the association's major components following the conclusion of the construction defect process, which have extended or reset the life of several reserve components. This has enabled the Board to keep the assessment increase at a lower amount than may have otherwise been necessary.

We will continue to carefully monitor our costs and adjust where necessary to get the maximum benefit from our assessment revenue. Your Board and the Community Management Team are working diligently on your behalf to monitor and control the costs associated with maintaining the property and to ensure the financial integrity of our Association, protect the long-term interests of all homeowners, and keep our property values high.

Please contact us through our Managing Agent, Manor Association, via telephone at 650-637-1616 or email at info@manorinc.com with any questions you may have. Thank you very much for your continued support.

Sincerely,

800 North 8th Street Board of Directors

800 North 8th Street HOA				
Final/Approved Budget Year End 12-31-2017				
		2016 BUDGET	2017 BUDGET	2017 MTHLY BUDGET
INCOME				
40000	Regular Assessments	306,504.00	316,008.00	26,334.00
40702	Reimbursement Assessment Income	0.00	0.00	0.00
41700	Interest Income - Operating	0.00	0.00	0.00
42120	Key Replacement	0.00	0.00	0.00
42200	Miscellaneous Other Income	0.00	0.00	0.00
42204	Income from Member Charges	0.00	0.00	0.00
43200	Late Charges	0.00	0.00	0.00
	TOTAL INCOME	306,504.00	316,008.00	26,334.00
OPERATING EXPENSES				
Administrative:				
55516	Bank Fee	100.00	100.00	8.33
50072	Collection Services	100.00	400.00	33.33
50074	Emergency/OnCall Svc	400.00	400.00	33.33
50051	Clerical/Mailing/Office Supply	1,910.00	2,000.00	166.67
50035	Reserve Study	375.00	375.00	31.25
50050	Misc Administrative	500.00	700.00	58.33
50140	Insurance	23,500.00	24,000.00	2,000.00
50100	License & Permits	350.00	300.00	25.00
50031	Audit & Tax Prepare	1,400.00	1,544.00	128.67
50023	Legal & Professional	0.00	400.00	33.33
50025	Management Fee	20,959.00	21,209.76	1,767.48
52132	Federal Income Taxes	10.00	10.00	0.83
52131	State Income Taxes	10.00	10.00	0.83
52130	Corporate Taxes	0.00	10.00	0.83
50024	Litigation Expense	0.00	0.00	0.00
51585	Payroll Service	0.00	0.00	0.00
	Total Admin Expense	49,614.00	51,458.76	4,288.23
Maintenance Contracts & Services:				
50200	Landscape Contract	9,120.00	8,400.00	700.00
50219	Landscape - Color/Plant	0.00	2,000.00	166.67
50210	Landscape - Extras		500.00	41.67
50565	Elevator Contract	3,500.00	3,500.00	291.67
55508	Fire Prevention&Protection	3,000.00	10,104.00	842.00
50675	Gate Maintenance Contract	500.00	550.00	45.83
50775	Janitorial Contract Maintenance	18,861.00	19,812.00	1,651.00
51020	Pest Control Service	1,320.00	2,040.00	170.00
50567	Elevator Repairs	2,000.00	2,000.00	166.67
50590	Fence - Repair/Replacement	4,000.00	0.00	0.00
50612	Fire System Repairs	5,000.00	5,000.00	416.67
50677	Gate & Monument Repair	2,000.00	1,500.00	125.00
50870	General Maint&Repair	2,000.00	2,000.00	166.67
50561	Lighting Supplies/Maintenance	1,500.00	4,400.00	366.67
50873	Locks & Keys	100.00	200.00	16.67
51045	Plumbing Repair	2,500.00	2,000.00	166.67
	Total Maint Contracts & Svcs	55,401.00	64,006.00	5,333.83
Utilities:				
52170	PG&E - Electricity	25,500.00	19,000.00	1,583.33
52180	PG&E - Gas	14,639.00	16,000.00	1,333.33
52200	Refuse Collection	20,000.00	22,699.32	1,891.61
52225	Telephone	13,600.00	15,000.00	1,250.00
52230	Water	30,000.00	32,000.00	2,666.67
	Total Utilites:	103,739.00	104,699.32	8,724.94
	TOTAL OPERATING EXPENSES	208,754.00	220,164.08	18,347.01
	NET INCOME BEFORE RESERVES	97,750.00	95,843.92	7,986.99
52080	Reserve - Allocation	97,750.00	95,843.92	7,986.99
	NET INCOME (LOSS)	0.00	0.00	0.00

Reserve Study Financial Summary

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

Community Information

Fiscal Year Start	January 1, 2016
Fiscal Year End	December 31, 2016
Year Built	2005
Number of Units	66
Last Inspected	11/11/2015

Computation Parameters

Inflation Rate	2.50 %
Interest Rate	1.50 %
Threshold Factor	5.00 %
2015 Fund Contribution	\$ 85,000

Status of the Reserve Fund at December 31, 2015

Reserve Fund Cash Balance as of October 31, 2015	109,612.34
Anticipated Interest Revenue prior to December 31, 2015	274.78
Anticipated Reserve Fund Contribution prior to December 31, 2015	14,205.48
Anticipated Reserve Fund Expenditures prior to December 31, 2015	0.00
Projected Reserve Fund Cash Balance at December 31, 2015	124,092.60
Projected Fully Funded Balance	636,517.39
Percent Funded	19 %
Avg. Reserve Fund Surplus / (Deficit) per Member	(7,764.01)

Cashflow Funding Plan - Five Year Funding Plan Summary

Fiscal Year Ending	Annual Reserve Contribution	Mo. Reserve Assessment	Percent Funded
2016	97,750	123.42	25%
2017	112,413	141.93	33%
2018	129,274	163.23	40%
2019	148,666	187.71	47%
2020	153,125	193.34	46%

* Summary Notice: This five year funding plan summary is provided in accordance with California Civil Code Section 5300(b)(3). The full reserve study plan is available and will be provided, by the Association, to any member upon request.

Cashflow Funding - Threshold Funding Plan

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

Fiscal Year Ending	Annual Reserve Contribution	Monthly Reserve Assmnt.	Percent Increase	Anticipated Beginning Cash Bal.	Estimated Interest	Anticipated Reserve Expense	Anticipated Special Assmnt.	Anticipated FYE Reserve Balance	Fully Funded Balance	Surplus/ (Deficit) of FFB	Projected FYE Percent Funded
2016	97,750	123.42	15.00%	124,093	1,861	41,133		182,571	723,939	-541,368	25%
2017	112,413	141.93	15.00%	182,571	2,739	15,580		282,142	858,226	-576,084	33%
2018	129,274	163.23	15.00%	282,142	4,232	14,893		400,756	999,852	-599,096	40%
2019	148,666	187.71	15.00%	400,756	6,011	22,022		533,411	1,141,266	-607,855	47%
2020	153,125	193.34	3.00%	533,411	8,001	171,889		522,648	1,139,808	-617,161	46%
2021	157,719	199.14	3.00%	522,648	7,840	38,980		649,227	1,274,771	-625,545	51%
2022	162,451	205.11	3.00%	649,227	9,738	10,959		810,457	1,444,766	-634,309	56%
2023	167,324	211.27	3.00%	810,457	12,157	21,188		968,750	1,612,508	-643,758	60%
2024	172,344	217.61	3.00%	968,750	14,531	11,514		1,144,111	1,797,938	-653,827	64%
2025	177,514	224.13	3.00%	1,144,111	17,162	257,345		1,081,442	1,746,089	-664,647	62%
2026	182,840	230.86	3.00%	1,081,442	16,222	43,178		1,237,326	1,911,124	-673,798	65%
2027	188,325	237.78	3.00%	1,237,326	18,560	316,147		1,128,064	1,811,430	-683,367	62%
2028	193,975	244.92	3.00%	1,128,064	16,921	16,240		1,322,720	2,013,368	-690,649	66%
2029	199,794	252.27	3.00%	1,322,720	19,841	20,953		1,521,401	2,219,964	-698,562	69%
2030	205,788	259.83	3.00%	1,521,401	22,821	591,414		1,158,596	1,865,693	-707,097	62%
2031	211,961	267.63	3.00%	1,158,596	17,379	33,449		1,354,487	2,065,071	-710,584	66%
2032	218,320	275.66	3.00%	1,354,487	20,317	14,029		1,579,096	2,293,510	-714,414	69%
2033	224,870	283.93	3.00%	1,579,096	23,686	47,280		1,780,373	2,499,179	-718,807	71%
2034	231,616	292.44	3.00%	1,780,373	26,706	14,739		2,023,955	2,747,421	-723,466	74%
2035	238,565	301.22	3.00%	2,023,955	30,359	1,148,513		1,144,367	1,873,108	-728,742	61%
2036	245,721	310.25	3.00%	1,144,367	17,166	55,271		1,351,983	2,075,317	-723,334	65%
2037	253,093	319.56	3.00%	1,351,983	20,280	25,530		1,599,826	2,317,589	-717,763	69%
2038	260,686	329.15	3.00%	1,599,826	23,997	20,788		1,863,721	2,576,057	-712,335	72%
2039	268,506	339.02	3.00%	1,863,721	27,956	425,183		1,735,001	2,442,125	-707,124	71%
2040	276,562	349.19	3.00%	1,735,001	26,025	1,137,734		899,853	1,597,964	-698,111	56%
2041	284,859	359.67	3.00%	899,853	13,498	49,534		1,148,676	1,826,713	-678,037	63%
2042	293,404	370.46	3.00%	1,148,676	17,230	17,958		1,441,352	2,098,714	-657,362	69%
2043	302,206	381.57	3.00%	1,441,352	21,620	34,720		1,730,460	2,366,862	-636,402	73%
2044	311,273	393.02	3.00%	1,730,460	25,957	18,867		2,048,822	2,663,825	-615,003	77%
2045	320,611	404.81	3.00%	2,048,822	30,732	753,397		1,646,768	2,240,099	-593,331	74%

Calculation of Percent Funded

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
ROADS				
1 Asphalt Sealing	0	5	1,771	1,771
2 Asphalt Repair Allowance	0	5	1,575	1,575
3 Asphalt Replacement	29	40	46,282	12,728
ASPHALT STRIPING AND CURB PAINTING				
4 White Striping	0	5	152	152
5 Handicap Symbol	0	5	26	26
6 800 N. 8th Guest Parking Designations	0	5	79	79
7 Red Curb Paint	0	5	245	245
8 Green Curb Paint	0	5	58	58
CONCRETE - SITE				
9 Repair Allowance	0	5	1,050	1,050
FENCING, RAILINGS AND SECURITY GRILLES				
10 Concrete Fence at Property Line Repair Allowa	9	10	1,050	105
11 Metal Fence at Property Line - Repair Allowanc	5	6	2,100	350
12 Security Grilles at Parking Garage -Repair Allo	5	6	1,050	175
IRRIGATION AND LANDSCAPING				
13 Irrigation Controller (Install Smart Controller)	0	15	1,890	1,890
14 Submit Irrigation Upgrade Plan for Permit	2	30	2,100	1,960
15 Irrigation Distribution System Renovate/Remod	3	30	5,250	4,725
16 Backflow Preventer	9	20	3,413	1,877
17 Backflow Preventer Cage	9	20	1,050	578
17 Irrigation System Repair Allowance	0	1	1,050	1,050
18 Tree Care Allowance	0	1	3,675	3,675
19 Planting Replacement Allowance	0	1	1,050	1,050
BUILDING SPRINKLER SYSTEM				
20 8" Gate Valves	29	40	21,850	6,009
21 8" OS & Y Valves	29	40	14,375	3,953
22 4" Gate Valves	29	40	15,813	4,348
23 5 Year Certification	2	5	2,625	1,575
BUILDING STANDPIPE SYSTEM				
24 4" Gate Valves	29	40	37,950	10,436
25 4" Backflow Preventer	29	40	5,175	1,423
26 6" Gate Valves	29	40	5,233	1,439
27 Auto Flow Switches	9	20	7,875	4,331
28 Pressure Gauges	9	20	4,043	2,223
SUMP PUMP SYSTEM				
29 Sump Pump Controllers	19	30	10,500	3,850
30 Sump Pumps - Parking Garage	4	15	5,250	3,850
31 Sump Pumps - Site	4	15	1,050	770

Calculation of Percent Funded

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
BUILDING FIRE ALARM SYSTEM				
32 Main Panels	19	30	34,500	12,650
33 Annunciator Panels	19	30	11,500	4,217
34 Power Supplies	4	15	6,900	5,060
35 Audio Only Alarm Bell	9	20	1,006	553
36 Audio/Visual Alarm Bells	19	30	34,069	12,492
37 Pull Stations	19	30	3,421	1,254
38 Smoke Detectors - Common Area	14	25	3,738	1,645
39 Smoke Detectors - Units (assumed)	14	25	74,003	32,561
40 Fire Extinguishers	0	10	3,450	3,450
41 Fire Extinguisher Cabinets	9	20	10,350	5,693
42 Annual Certification/Repair Allowance	0	1	1,575	1,575
BUILDING HOT WATER HEATING SYSTEM				
43 Boilers	4	15	40,250	29,517
44 Boiler Controller	4	15	1,725	1,265
45 Storage Tank	19	30	28,750	10,542
46 Expansion Tank	19	30	1,150	422
47 Circulating Pumps	4	5	3,780	756
48 Recirculating Pumps	4	5	3,150	630
49 2 Hp Air Compressor	0	10	2,625	2,625
HANDICAP LIFT				
50 Annual Repair Allowance	0	1	2,100	2,100
4 STORY HYDRAULIC ELEVATOR				
51 Plunger	49	60	47,250	8,663
52 Door Operators	19	30	3,675	1,348
53 Pump Unit	19	30	8,925	3,273
54 Piston/Head Unit	19	30	14,175	5,198
55 Electrical Controller	19	30	26,250	9,625
56 Emergency Call Device	9	20	1,838	1,011
57 Cab Redecorate	9	20	7,875	4,331
58 5 Year Load Test	0	5	1,050	1,050
PARKING GARAGE				
59 11' x 8' Auto Gates	19	30	13,650	5,005
60 Man Gates	19	30	2,625	963
61 Auto Gates Motors	4	15	5,250	3,850
62 Auto Gate Vehicle Loops	4	15	2,100	1,540
63 Cyclone Fence	29	40	2,168	596
64 Striping - White	0	10	4,239	4,239
65 Striping - Handicap Symbols	0	10	131	131
66 Striping - Space Numbers	0	10	2,079	2,079
PARKING GARAGE EXHAUST SYSTEM				
67 15 Hp Exhaust Fan	19	30	7,875	2,888
68 15Hp Exhaust Fan Motor	4	15	3,675	2,695

Calculation of Percent Funded



800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
69 CO Monitors	14	25	5,250	2,310
70 CO Detectors	14	25	3,938	1,733
PARKING GARAGE ELEVATOR LOBBY				
71 Rubber Floor	19	30	515	189
72 Supply Fan	4	15	1,313	963
ELECTRICAL				
73 4' - 2 Tube Fluorescent Lights - Garage	14	25	630	277
74 4' - 2 Tube Fluorescent Lights - Mechanical Ro	14	25	3,150	1,386
75 Ceiling Mount Halogen Lights - Garage	14	25	17,220	7,577
76 Wall Mount Nautical Lights - Garage	14	25	945	416
77 Intercom Panels	14	25	9,450	4,158
78 Silver Bollard Lights - Site	14	25	2,888	1,271
79 Step Lights	14	25	4,620	2,033
80 HID Wall Mount lights - Building Exterior	14	25	5,880	2,587
81 Tree Spots	14	25	5,670	2,495
82 Bollard Lights - Courtyard	0	25	5,513	5,513
83 Decorative Area Lights - Courtyard	14	25	788	347
84 Square Wall Mount Lights - Building Exterior	14	25	14,805	6,514
85 Unit Entry Lights - Wall Mount	14	25	2,520	1,109
86 4' - 2 Tube Fluorescent Lights - Exit Stairs	14	25	3,150	1,386
87 4' - 2 Tube Fluorescent Lights - Trash rooms	14	25	788	347
88 Wall/Ceiling Mount Hall/Walk Lights	14	25	72,765	32,017
89 Round Recessed Lights - Hall/Walk	14	25	12,128	5,336
90 Emergency Lights	14	25	30,188	13,283
91 Exit Signs - Powered	14	25	17,404	7,658
92 Exit Signs - Self Illuminating	4	15	13,598	9,972
COURTYARD/PODIUM SLAB				
93 Entry Trellis Repair Allowance	9	10	1,050	105
94 Aluminum Entry Door	19	30	18,900	6,930
95 Brick Paver Replacement Allowance	4	5	1,575	315
96 Courtyard Waterproofing Repair Allowance	4	5	3,675	735
97 Bulletin Board	19	30	4,725	1,733
98 Mail Boxes	19	30	10,710	3,927
99 Outgoing Mail Boxes	19	30	840	308
100 Parcel Boxes	19	30	525	193
101 Built In Planters - Waterproof	24	25	207,912	8,316
102 Built In Planters - Replant	24	25	346,500	13,860
103 Round Freestanding Planters - Replant	14	25	6,300	2,772
104 Rectangular Free Standing Planters - Replant	14	25	3,150	1,386
105 Benches	14	25	2,310	1,016
TRASH ROOMS				
106 Trash Chute Doors	19	20	12,600	630
BUILDING EXTERIORS				

Calculation of Percent Funded

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

	Remain. Life	Useful Life	Component Total Cost	Accrued Reserve
107 Concrete Roofing Tiles - Replace	49	60	399,510	73,244
108 Concrete Roofing Tiles - Repaper/Reflash	19	30	213,072	78,126
109 Gutters	14	25	21,988	9,675
110 Downspouts	14	25	18,285	8,045
111 Balconies - Elastomeric Resurfacing	9	10	51,109	5,111
PAINTING				
112 Major Plumbing Equipment - Site	4	5	1,438	288
113 Metal Fence at Property Line	4	5	10,557	2,111
114 Parking Garage Gates and Grilles	4	5	1,403	281
115 Metal Gates at Units/Exit Stairs	4	5	863	173
116 Full Height Metal Railings	4	5	29,644	5,929
117 Wall Mount Railings	4	5	2,506	501
118 Paint Metal Stair Stringers	4	5	607	121
119 Courtyard Entry Trellis	4	5	216	43
120 Doors	9	10	11,213	1,121
121 Paint Parking Garage Elevator Lobby	9	10	596	60
122 Paint Exit Stair Interiors	9	10	11,187	1,119
123 Paint Trash Room Interiors	9	10	1,697	170
124 Paint Stucco	11	12	189,457	15,788
125 Paint Gutters	11	12	2,749	229
126 Paint Downspouts	11	12	3,048	254
127 Paint Wood Trim/Roof Overhangs	5	6	5,497	916
BUILDING REPAIR ALLOWANCES				
128 Door Replacement Allowance	9	10	3,450	345
129 Tile Roof Inspection/Repair Allowance	1	2	5,750	2,875
130 Metal Awing Repair Allowance	9	10	1,150	115
131 Railings/Gates Repair Allowance	4	5	5,750	1,150
132 Signage Replacement Allowance	19	20	5,750	288
133 Stucco Repair Allowance	11	12	17,250	1,438
134 Wood Trim/Roof Overhang Repair Allowance	5	6	4,600	767
135 Balcony Repair Allowance	9	10	5,750	575
136 Entry Walkway Repair Allowance	0	10	5,750	5,750

Projected Fully Funded Balance (Total)	636,517.39
Projected Reserve Fund Balance	124,092.60
Percent Funded	19%

Assessment and Reserve Funding Disclosure Summary

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

Assessment and Reserve Funding Disclosure Summary for the fiscal year ending 2016

(1) The current avg. regular assessment per ownership interest is: \$387.00 per month

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found in your operating budget.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members are as follows:

Date Assessment is Due	Amount per ownership interest per month or year (If assessments are variable, see note immediately below)	Purpose of the assessment
Please refer to the enclosed cash flow scenario for anticipated future reserve fund contribution levels		

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found in your operating budget.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years? Yes No

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Approximate Year Assessment will be needed	Amount per ownership interest per month or year (If assessments are variable, see note immediately below)

(5) All major components, with less than 30 years remaining life, are included in the reserve study and are included in it's calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount needed in the reserve fund at the end of the current fiscal year is: \$636,517.39, based in whole or in part on the last reserve study or update prepared by Associa Reserve studies as of June 20, 2016. The projected reserve fund cash balance at the end of the current fiscal year is \$124,092.60, resulting in reserves being 19 percent funded at this date.

Assessment and Reserve Funding Disclosure Summary

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

Assessment and Reserve Funding Disclosure Summary for the fiscal year ending 2016

(7) For the purposes of preparing this summary pursuant to Section 5570 of the Davis-Stirling Act, the following are assumed to be true.

1. "Estimated remaining Useful life" means the time reasonably calculated to remain before a major component will require replacement.
2. "Major component" is defined in Section 5500 of the Davis-Stirling Act. Components with an estimated remaining life of more than thirty (30) years may be included in a study as a capital asset or disregarded from the reserve calculations, so long as the decision is revealed in the reserve fund study report and is reported in this Assessment and Reserve Fund Disclosure Summary.
3. This form shall accompany each Pro Forma Operating Budget or Summary thereof that is delivered pursuant to the requirements of the Davis-Stirling Act. This form may be supplemented or modified to clarify the information delivered, so long as the minimum requirements are met.
4. For the purpose of this report and summary, the amount of reserve needed to be accumulated for any component at any given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful of the component. This shall not be construed as to require the Board of Directors to fund their reserve fund in accordance with this calculation.

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY DISCLAIMERS

DISCLAIMER 1

The association as part of its reserve study and funding analysis has prepared a cash flow statement to meet the needs of the association's reserve components over the course of the next 30 years. The currently elected board is not empowered to approve future years assessments but it is assumed that future Board of Directors will update and follow the assumptions contained within the cash flow summary.

DISCLAIMER 2

The associations board of directors has relied on information, opinions, reports and statements presented to it by vendors, contractors, reserve analysts, CPAs and/or other professionals ("Professionals") in preparing the reserve study and is relying upon this information, financial data and reports pursuant to the California Corporations Code in providing the association membership and/or prospective purchasers the information contained in this Assessment and Reserve Funding Disclosure Summary. The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information supplied to the association board of directors from said Professionals. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this disclosure summary. Since the information provided has been based on assumptions over a thirty (30) year period the accuracy of the information may be less than reliable. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God can not be accounted for and are excluded when assessing life expectancy of each component. The reserve study includes only items that the association has a clear and express responsibility to maintain, pursuant to the association's CC&R's.

The answer to this question was based on the attached cash flow analysis using the data in the reserve study and is only accurate to the extent the assumptions over the next thirty (30) years hold true.

Assessment and Reserve Funding Disclosure Summary

800 N. 8th Street
San Jose, California

Date: 6/20/2016
Units: 66
Fiscal Year End: 12/31/2016

Assessment and Reserve Funding Disclosure Summary for the fiscal year ending 2016

DISCLAIMER 3

The association intends to review its reserve fund on an annual basis, consistent with California Civil Code section 5500, as well as causing a new reserve study to be conducted every three (3) years, the association could increase regular assessments to facilitate additional reserve funding and/or levy association could increase regular assessments to facilitate additional reserve funding and/or levy special assessments to fund reserve over the course of the next thirty (30) years. Please see the attached cash flow analysis for any potential future special assessments and/or regular assessment increases.

DISCLAIMER 4

The information contained within the disclosure statement, cash flow projections and percent funded calculation is based on a reserve study prepared by Associa Reserve Studies during the 2015 fiscal year. The Davis-Stirling act requires that every association to "at least once every three years, the board of directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the association is obligated to repair, replace, or maintain as part of a study of the reserve account requirements of the common interest development". The association is required to conduct their next reserve study inspection in the 2018 fiscal year.

DISCLAIMER 5

The following assumptions were made in this study.

Inflation Rate is computed at	2.50%
Net Rate of return on Investments	1.50%
Unscheduled Maintenance Allowance.	5.00%

DISCLAIMER 6

The complete reserve study is available to you through your management company. Please contact your community manager at the address below for a copy of the complete study. Please note there may be a fee for this service.

Associa Northern California
2542 South Bascom Avenue Suite 170
Campbell, CA 95008
(408) 540-5050

ANNUAL POLICY STATEMENT

November 18, 2016

California state law requires associations to disclose general and specific types of information annually to their members. This Annual Policy Statement is a compilation of required disclosures and additional information that the board would like the members to receive.

NOTICE OF ASSESSMENT INCREASE – CIVIL CODE SECTION 5615

Regular assessments will be \$399.00 per unit per month, beginning January 1, 2017.

ASSOCIATION CONTACT FOR OFFICIAL COMMUNICATIONS – CIVIL CODE SECTION 5310(a)(1)

The official point of contact for communications directed by members to the Association is:

Managing Agent
c/o The Manor Association, Inc.
353 Main Street, Redwood City, CA 94063

The person designated to receive official communications by mail for the Association is:

Managing Agent
c/o The Manor Association, Inc.
353 Main Street, Redwood City, CA 94063

ASSOCIATION RECEIPT OF OFFICIAL AND OTHER COMMUNICATIONS

Official communications to the Association must be submitted in writing to the person designated above. Official communications must be sent via U.S. mail, or by e-mail to info@manorinc.com; or by personal delivery to the address listed above.

“Official communications” include: (i) requests to meet and confer; (ii) Requests for Resolution; (iii) requests to opt-out of the membership list; (iv) secondary address notifications; (v) requests for minutes of meetings; (vi) requests to inspect association records; (vii) requests to review membership list; (viii) requests to change a member’s information on the association membership list; (ix) requests for individual delivery of general notices; (x) requests to receive a full copy of a specified annual budget report or annual policy statement; and (xi) requests to receive all reports in full.

“Unofficial communication” includes items not listed above and must be submitted in writing to the person designated above via U.S. mail, or by e-mail to info@manorinc.com; or by personal delivery to the address listed above.

SECONDARY ADDRESS NOTIFICATION - CIVIL CODE SECTION 5310(a)(2)

Any member of the Association may provide written notice by U.S. mail to the Association of a secondary address. If a secondary address is provided, the Association must send the member legally required notices to both the primary and secondary addresses.

LOCATION FOR POSTING OF GENERAL NOTICES - CIVIL CODE SECTION 5310(a)(3)

Notices are mailed to Members via first-class mail.

MEMBER RIGHT TO RECEIVE GENERAL NOTICES BY INDIVIDUAL DELIVERY - CIVIL CODE SECTION 5310(a)(4)

Any Member of the Association may request to receive general notices by "individual delivery." Individual delivery may be accomplished, at the Association's choice, by: (i) first-class mail; (ii) registered, certified or express mail; (iii) overnight mail; and (iv) e-mail, or posting to a dedicated Web site if the member has consented in writing to electronic delivery.

A member's consent to electronic delivery must be provided in writing to the person designated to receive the Association's official communications (see above).

MEMBER RIGHT TO RECEIVE BOARD MEETING MINUTES – CIVIL CODE SECTION 5310(a)(5)

State law provides that the minutes, or draft minutes, of Board meetings (other than executive session minutes) be available for distribution to members within thirty (30) days following a Board meeting. Members may request copies of such minutes by written request to The Manor Association, Inc., 353 Main Street, Redwood City, California, 94063, and pay reasonable copying and mailing costs.

NOTICE OF ASSESSMENTS AND FORECLOSURE – CIVIL CODE SECTION 5310(a)(6)

Please note the following statutory language with respect to the collection of assessments:

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of this information applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

Assessments And Foreclosure: Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code).

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code).

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

Payments: When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Sections 5655 of the Civil Code).

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code).

Meetings And Payment Plans: An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 5665 of the Civil Code).

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform to the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code).

ASSESSMENT COLLECTION POLICY – CIVIL CODE SECTION 5310(a)(7)

State law provides that associations must notify their members annually of the lien rights and remedies. The following is our Association's Assessment Collection Policy:

IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.

1. The Association's mailing address for overnight payment is: C/O the Manor Association, Inc., 353 Main Street, Redwood City, CA 94063

2. An Owner may request in writing by U.S. mail to the Association of a secondary address. If a secondary address is provided, the Association shall send the owner collection notices to both the primary and secondary addresses
3. Regular assessments are due on the first day of each month and delinquent if not received by the fifteenth (15th) day of the month due. Special assessments and reimbursement assessments are due on the date(s) specified upon imposition and each installment thereof shall be delinquent if not received by the Association within fifteen (15) days after it is due. If delinquent, the Association will impose a late charge in the amount of 10% of the delinquent assessment and is entitled to interest on delinquent assessments, late charges and collection costs at an annual rate of 12% commencing thirty (30) days after the assessment becomes due.
4. After an account is thirty (30) days' delinquent, a letter will be sent to the Owner advising the amount owing and the date to respond before the account is forwarded to the Association's designated collection entity for legal action. The account will be billed \$45.00 for costs.
5. When an account is sixty (60) days' delinquent, it is turned over to the Association's designated collection entity. The designated collection entity will provide an itemized statement of charges owed by the Owner, notify the Owner in writing by certified mail of the collection and lien enforcement procedures of the Association, the Owner's right to meet and confer to dispute the debt, the Owner's right to request a payment plan, the Owner's right to request alternative dispute resolution at specified points in the collection, and the Owner's right to inspect the Association's records to verify the debt. The Association will offer to the Owner, and if so requested by the Owner, will meet and confer with the Owner about any assessment disputes. The account will be billed \$300.00 for costs.
6. If the account is not paid in full within thirty (30) days following the designated collection entity's demand letter, a lien is prepared and recorded against the defaulting Owner's property. The Board will approve recording of the lien at an open Board meeting. Once recorded, the lien is mailed to the defaulting Owner, along with a letter that describes additional penalties for nonpayment of the lien and the procedures for foreclosure. The account will be billed \$500.00 for costs.
7. An owner has a right to meet and confer with a representative of the Board if the Owner has a dispute regarding the debt, pursuant to the Association's Dispute Resolution procedures. After a lien is recorded, an Owner has the right to most forms of alternative dispute resolution with a neutral third party.
8. An Owner may submit a written request to meet with the Board to discuss a payment plan for the debt. The Board will meet with the Owner in executive session within 45 days of the postmark of the request, if the request is mailed within 15 days of the date of the postmark of letter referenced in paragraph 5 shown above, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one or more Board members to meet with the Owner.
9. Prior to initiating foreclosure and if the Owner disputes the debt in writing, as set forth above, the Association will offer to meet and confer with the Owner or to participate in most forms of alternative dispute resolution. If the lien is not paid in full within thirty (30) days after it is recorded, the Association may file suit to recover delinquent assessments and costs and, if the delinquent assessments exceed \$1,800 or are more than twelve (12) months delinquent, the Association may file a lawsuit for judicial foreclosure of the lien and a money judgment against the Owner or conduct a nonjudicial foreclosure of the assessment lien. The Board shall approve the decision to foreclose in executive session. Notice of the Board's decision shall be personally served on the Owner if a resident or mailed first class to the Owner if a nonresident.
10. Pursuant to the Association CC&R's and state law, legal and collection costs incurred in collecting the delinquent assessments are paid by the defaulting Owner.
11. The Association shall record a release of lien within twenty-one (21) days following payment of all sums due the Association.

MEMBER RIGHT TO RECEIVE SCHEDULE OF VIOLATIONS AND FINES - CIVIL CODE SECTION 5310(a)(8)

The schedule of monetary penalties to be considered or imposed is as follows:

First hearing concerning offense: \$100

Second or subsequent hearing concerning same offense: \$200

Fines may be levied on a daily basis, weekly basis, per occurrence basis, or in any other manner as the Association determines necessary in order to bring compliance.

MEET AND CONFER PROCEDURES - CIVIL CODE SECTION 5310(a)(9)

1. Either the Association or a disputing Member may request to meet and confer in an effort to resolve the dispute. The request shall be in writing.
2. A Member may refuse the Association's request to meet and confer. The Association may not refuse a Member's request to meet and confer.
3. The Association's Board shall designate a Board member(s) to meet and confer.
4. The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by any attorney or another person at their own cost when conferring.
5. A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties. Any agreement reached by the Board's designee must be ratified by the Board before it become effective.
6. A written agreement reached the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:
 - a. The agreement is not in conflict with law or the governing documents.
 - b. The Board ratifies the agreement.
7. A Member will not be charged a fee to participate in the meet and confer process.

ALTERNATIVE DISPUTE RESOLUTION – CIVIL CODE SECTION 5310(a)(9)

The restrictions in the CC&Rs may be enforced by the Association or any Owner. However, pursuant to Civil Code Section 5930, prior to filing a lawsuit for declaratory or injunctive relief for enforcement of the CC&Rs' restrictions the parties shall submit the dispute to alternative dispute resolution (i.e., conciliation, mediation or arbitration). The ADR process is started by serving a Request for Resolution, which includes a description of the dispute, a request for resolution, and a notice that a response is required in thirty (30) days. If the request is accepted, the must be completed within ninety (90) days and paid for by the parties.

A certificate must be filed with any enforcement complaint filed with a court stating that ADR has been completed in compliance with the law or was rejected. The failure to file the certificate can mean the lawsuit may be dismissed. After a lawsuit is filed, it may be referred to mediation or arbitration by agreement of the parties. In awarding attorney's fees, the court may consider a party's refusal to participate in arbitration or mediation.

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

PROCEDURES FOR ARCHITECTURAL APPROVAL - CIVIL CODE SECTION 5310(a)(10)

The Association must approve modifications of the exterior of existing buildings and most other improvements, site improvements or site features. Owners must have approval in writing *before* commencing new construction or modification. Owners obtain approval by submitting applications to the Association or the Managing Agent. The Association has established the requirements for approval.

Please find enclosed a copy of the Association's Application to Modify Property. A complete copy of the Association's Architectural Standards and Guidelines is available upon request.

FHA CERTIFICATION DISCLOSURE: CIVIL CODE SECTION 5220 (b)(10)-(11)

As of the publication date of these budget disclosures, the Association is not FHA certified at this time. Owners may check the Association's FHA status by visiting the following website:
<https://entp.hud.gov/idapp/html/condlook.cfm>

VA CERTIFICATION DISCLOSURE: CIVIL CODE SECTION 5220 (b)(10)-(11)

As of the publication date of these budget disclosures, the Association is not VA certified at this time. Owners may check the Association's VA status by visiting the following website:
<https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>

ADDRESS FOR OVERNIGHT PAYMENT- CIVIL CODE SECTION 5310(a)(11)

The Association's mailing address for overnight payment is: C/O The Manor Association 353 Main Street, Redwood City, CA 94063.

MEMBERSHIP LIST OPT-OUT - CIVIL CODE SECTION 5220

Any Member of the Association is entitled to receive a copy of the Association's membership list, including the names and addresses of all of the Owners. A Member may opt out of the sharing of his or her name, property address and mailing address with other Members by so notifying the Association in writing. Once an Owner has chosen to opt out and has so notified the Association, no further action is required.

OPT OUT FORMS / SECONDARY ADDRESS FORMS

If you wish to provide a secondary address, or if you wish to opt out of the membership list, please complete the attached form and return it to The Manor Association by mail to 353 Main Street, Redwood City, CA 94063.

MEMBERSHIP LIST OPT OUT FORM

[] I hereby wish to have my name, property address and mailing address removed from the membership list for the purposes of Civil Code Section 5220.

DATE: _____ SIGNATURE: _____

PRINT NAME: _____

PROPERTY ADDRESS: _____

(Street) (City) (State) (Zip)

(Sign exactly as your name appears on the membership record. Co-owners should sign when possible. Fiduciaries must state title).

SECONDARY ADDRESS REQUEST FORM

SECONDARY ADDRESS:

[] I request that the correspondences and legal notices specified in Civil Code section 4040(b) be provided to the following secondary address:

PRINT NAME(s):

PROPERTY ADDRESS:

(Street) (City) (State) (Zip)

SECONDARY ADDRESS:

(Street) (City) (State) (Zip)

800 NORTH 8TH ARCHITECTURAL REVIEW COMMITTEE

Application to Modify Property

Describe the modification you propose to make to your property. Include a scale drawing, both plan and elevation (side) views as necessary to clearly establish locations and height of any modifications. Include dimensions and materials, and specific color(s). Your drawing should include all existing structures and features where necessary to indicate relative location. Attach additional pages if needed.

Please deliver four copies of this completed form, along with drawings, to any Board member or the property management company.

Owner(s): _____

Address: _____

Property Address (if different): _____

Phone: _____

Checklist of drawings to be submitted:

- Detailed Plan (1/4" scale)
- Overview showing proposed improvements, adjacent units, etc. (1/8 scale)
- Elevation drawings. (1/8" scale)
- Proposed colors and materials
- Photos of existing conditions and features

Brief description of proposed modification:

Applicant agrees to indemnify the Association against any and all acts or claims arising in connection with the Improvement, including but not limited to, any and all acts, omissions, or claims arising in connection with the approval, construction, operation, maintenance, repair, use, or removal of the Improvement, including attorney fees and costs of litigation in connection therewith.

Applicant understands that all necessary permits and approvals from municipalities or other jurisdictions are the sole responsibility of applicant and that Committee approval of this application is subject to the applicant receiving all such necessary permits and approvals.

I (We) have read the ARCHITECTURAL STANDARDS AND GUIDELINES FOR 800 NORTH 8TH and the Declaration (CC&R's) and understand my (our) obligations thereto.

THE UNDERSIGNED AGREES TO THE ABOVE CONDITIONS:

Owner's Signature(s): _____

Date: _____

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION
ELECTION RULES

The Board of Directors adopted these election rules in accordance with California Civil Code Section 1357.100 et seq. Notwithstanding any other law or provision of the governing documents, these rules shall apply to all matters set forth in Section 1363.03(b) of the California Civil Code.

Section 1. Inspector(s) of Election

A. Appointment and Term

1. **Appointment.** The Board of Directors shall appoint one or three persons to serve as the Inspector(s) of Election, who shall serve at the discretion of the Board, and who shall have such powers and duties as the Board shall determine, subject to the limitations imposed by these election rules ("Election Rules").
2. **Term.** The Inspector(s) of Election shall serve in their capacity until they resign, are discharged by the Board, or until they submit their completed written report to the Board as required by Section 1(D)(2)(i).

B. Qualifications

1. The Inspector(s) of Election must be an independent third party who is not any of the following:
 - a. Currently a Member of the Board of Directors or a candidate for the Board of Directors; or
 - b. Related to a Member of the Board of Directors or a candidate for the Board of Directors.
2. Within the absolute discretion of the Board, an independent third party may be a person who is currently employed or under contract to the Association for any compensable services.

C. Powers

1. Notwithstanding any provision in the Association's governing documents to the contrary, an Inspector(s) of Election shall preside over an election or vote dealing with any of the matters set forth in Civil Code Section 1363.03(b).
2. The Inspector(s) of Election may meet and discuss election issues amongst themselves and/or with the Association's legal counsel.

3. If there are three Inspectors of Election, the decision or act of two or more Inspectors of Election shall be effective in all respects as the decision or act of all.
4. The Inspector(s) of Election may appoint and oversee additional persons to count and tabulate votes as the Inspector(s) of Election deems appropriate, if permitted by California law.

D. Duties

1. The Inspector(s) of Election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical.
2. The Inspector(s) of Election shall do all of the following:
 - a. Determine the number of memberships entitled to vote and the voting power of each.
 - b. Determine the authenticity, validity, and effect of proxies, if any.
 - c. Receive ballots.
 - d. Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
 - e. Count and tabulate all votes.
 - f. Determine when the polls closed.
 - g. Determine the result of the election.
 - h. Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with this section and all applicable rules of the Association regarding the conduct of the election that are not in conflict with this section.
 - i. Prepare a written report of the activities undertaken in any election.

Section 2. Director Qualifications

- A. All persons nominated and elected to the Board of Directors shall meet the qualifications set forth in the 800 North 8th Street Homeowners Bylaws (the "Bylaws") and the 800 North 8th Street Condominiums Enabling Declaration Establishing a Plan for Condominium Ownership (the "Declaration"), as they may be amended from time to time.

Section 3. Nomination Procedures

- A. Notwithstanding any provision contained in the Association's governing documents to the contrary, Members may nominate themselves as candidates for election to the Board of Directors.
- B. Nominations for election to the Board may be made by any of the following methods:
 1. A nominating committee as described in the Association's Bylaws; and/or

2. A Member may nominate himself or herself for election to the Board by giving notice to the Association's Secretary, or other designated agent, at least 30 days before distribution of the secret ballots to the Members.
- C. If a person nominated is not qualified to hold an elected position his or her name shall not appear on the ballot and he or she will not be permitted to serve if elected.

Section 4. Media Access

- A. If any publicity is provided by the Association during a campaign, the Association shall ensure that equal access is given to all candidates and Members advocating a point of view for purposes that are reasonably related to the election.
- B. If any publicity is provided by the Association, the Association will not censor, edit or redact the communication but shall include a statement specifying that the message is that of the Members and the Association is not responsible for its content. The following statement shall be published by the Association: *"The views expressed are those of its author and do not reflect the views of the Association, its directors, managers, employees, or agents. The author is solely responsible for its content. The Association is required by law to publish the communication as written regardless of the content."*

Section 5. Common Area Meeting Space

- A. If common area meeting space exists, it shall be provided at no cost to all candidates and Members advocating a point of view for purposes reasonably related to the election or vote, subject to procedural rules as may be adopted by the Board to assure orderly use of such meeting space.
- B. If required by the governing documents, the Association will schedule a community election forum prior to an election of the Board or a vote subject to these Election Rules, whereby candidates and Members who are advocating a point of view which is the subject matter of the pending election or vote may attend and speak to any Association Members choosing to attend. The community election forum shall be conducted in accordance with the governing documents and any procedural rules adopted by the Board.
- C. Any Member desiring to use the common area meeting space for such a purpose shall be responsible for leaving the premises in the condition they were found. The Member shall be required to provide a deposit which will be returned when the premises are returned clean and undamaged.

Section 6. Association Funds

- A. Association funds shall not be used for campaign purposes in connection with any election, except that the Association may provide publicity equally in its discretion.

Section 7. Voting Qualifications

- A. Only Members in good standing, as defined in the Association's governing documents, shall be entitled to vote on any issue or matter presented to the Members for approval.
- B. The Association shall have two classes of voting memberships:
 - 1. Class A: Class A Members shall be all owners with the exception of the Declarant (as defined in the Declaration) and shall be entitled to one vote for each unit owned. When more than one person holds an interest in any unit, all persons shall be Members. The vote for such unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any unit.
 - 2. Class B: The Class B Member shall be the Declarant, whose voting rights shall be the same as for Class A memberships, except that Class B Member may triple its for each unit owned. The Class B membership shall cease upon the occurrence of the stated events as described in Section 3.6 of the Association's Bylaws.
- C. Voting periods shall be determined by the Board of Directors for all matters subject to these Election Rules.

Section 8. Methods of Voting

- A. The Association shall not be required to prepare or distribute proxies when voting on any matter requiring vote by secret ballot under Civil Code Section 1363.03.
- B. If proxies are received, they are valid and effective only if they comply with California law and the Association's Bylaws. The Inspector(s) of Election shall determine the authenticity of any proxies received and may deem a proxy used to vote by secret ballot authentic only if the proxy complies with California Civil Code Section 1363.03(d). The Inspector(s) of Election may also take into consideration any reasonable criteria established by the Board of Directors to authenticate a proxy when making such a determination.
- C. The authenticity, validity and effect of proxies with respect to any other Member voting matter that is not determined by secret ballot shall be as set forth in the Association's Bylaws, as such Bylaws may be amended from time to time, and in California law.
- D. In accordance with the Association's Bylaws, Members may cumulate their votes in an election for Board of Directors.

Section 9. Voting Period

- A. The voting period shall begin on the date the ballots are distributed and shall close on the date established by the Board, which shall be not less than 30 days from the date of distribution. Once appointed to oversee an election, the Inspector(s) of Election shall determine, in their discretion, the specific date and time when the polls close.

- B. In the Board of Directors sole discretion the voting period may be extended if sufficient ballots have not been received.

Section 10. Ballot Requirements

- A. Voting with regard to the matters addressed in Civil Code Section 1363.03(b) shall be determined by using a double envelope system to ensure the anonymity of the Member casting his or her vote.

Section 11. Ballot and Voting Procedure

A. **Ballots**

1. A ballot and two pre-addressed envelopes, a smaller (inner) envelope and a larger (outer) envelope, along with instructions on how to return the ballot shall be mailed by first-class mail or delivered by the Association to every Member not less than 30 days prior to the deadline for voting.
2. A voter may not be identified by name, address, or the unit that entitles him or her to vote on the ballot.
3. The ballot itself is not to be signed by the Member voting, but is to be inserted into the smaller (inner) envelope that is sealed by the Member. This envelope is inserted into the larger (outer) envelope that is sealed by the Member.
4. The larger (outer) envelope is addressed to the Inspector(s) of Election. In the upper left-hand corner of the second envelope, the voter prints and signs his or her name, address, and unit that entitles him or her to vote.
5. The ballot may be mailed or delivered by hand to a location specified by the Inspector(s) of Election. The Member may request a receipt for delivery.
6. Once a ballot is cast it cannot be revoked. A ballot is "cast" when it is received.

B. **Vote Tabulation**

1. The ballots shall not be opened or otherwise reviewed prior to the time and place at which the ballots are counted and tabulated. In no event shall any ballots be opened if insufficient ballots exist to meet the quorum requirement.
2. The envelopes shall be opened and the ballots shall be counted and tabulated in public, at a properly noticed Board meeting which may, but need not be scheduled to take place concurrently with the annual membership meeting. Any candidate or other Member of the Association may witness the counting and tabulation of the votes.

3. Only the Inspector(s) of Election, or individuals designated by the Inspector(s) of Election if allowed under California law, shall open the envelopes and count and tabulate the ballots.
4. If the Inspector(s) of Election determine that insufficient ballots exist to meet the quorum requirement, the Board:
 - a. Shall extend the voting period for elections to the Board of Directors.
 - b. May extend the voting period for any other matters subject to these Election Rules.
5. In a Board of Director election, if there is a tie vote between those candidates who receive the lowest number of votes, the tie shall be broken by a random method, as determined by the Inspector(s) of Election.

Section 12. Voting Results, Storage and Retention

A. Election Results

1. The Inspector(s) of Election shall promptly report the results of the election to the Board of Directors who shall record the results of the election in the minutes of the next Board meeting and make them available to the Members of the Association for review.
2. Within 15 days of the election, the Board shall publicize the results of the election in a communication directed to all Members.

B. Custody, Storage and Retention of Ballots from Elections

1. Custody

- a. The sealed ballots shall remain in the custody of the Inspector(s) of Election or at a location designated by the Inspector(s) of Election at all times prior to tabulation of the vote.
- b. After the votes have been tabulated, physical custody of the ballots shall be transferred to the Association.

2. Storage and Retention

- a. After tabulation, ballots shall be stored by the Association in a secure place for at least one year after the date of election.
- b. In the event of a recount or other challenge to the election process, upon written request, the Association shall make the ballots available for inspection and review by Association Members or their authorized

representatives. Any recount shall be conducted in a manner that preserves the confidentiality of the vote.



INSURANCE DISCLOSURE
800 North 8th Street HOA
October 2016

Property Insurance

Carrier: Allied Mutual Insurance Company
Policy: #BPHACP3007953147
Policy Term: October 25, 2016 to October 25, 2017
LIMIT: Special Form, Replacement Cost,
Building Limit \$18,250,000
Deductible: \$5,000

Excess Liability Insurance

Carrier: Allied Mutual Insurance Company
Policy: #CAAACP3007953147
Policy Term: October 25, 2016 to October 25, 2017
LIMIT: \$5,000,000 Per Occurrence
\$5,000,000 Annual Aggregate

General Liability Insurance

Carrier: Allied Mutual Insurance Company
Policy: #BPHACP3007953147
Policy Term: October 25, 2016 to October 25, 2017
LIMIT: \$1,000,000 Per Occurrence
\$2,000,000 Aggregate
Deductible: None

Fidelity Insurance

Carrier: Travelers Casualty & Surety Co.
Policy: #106619939
Policy Term: October 25, 2016 to October 1, 2019
LIMIT: \$1,350,000
Deductible: \$10,000

Directors and Officers Insurance

Carrier: Allied Mutual Insurance Company
Policy: #BPHACP3007953147
Policy Term: October 25, 2016 to October 25, 2017
LIMIT: \$1,000,000
Deductible: \$1,000

Workers' Compensation

Carrier: Republic Indemnity Co of America
Policy: 25134401
Policy Term: October 25, 2016 to October 25, 2017
LIMIT: Statutory

****IMPORTANT NOTICE****

Your personal property and personal liability are NOT COVERED under the Homeowners' Association Master Insurance Policy! An HO6 Policy may be required.

"This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage"



SECRETARY OF STATE

I, *Kevin Shelley*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

APR 23 2004



Kevin Shelley
Secretary of State

2647601

ARTICLES OF INCORPORATION

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

OF

APR 19 2004

800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

KEVIN SHELLEY
Secretary of State

ARTICLE I
NAME

The name of the corporation (hereinafter referred to as the "Corporation" or the "Association") is 800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION. The corporation is an association 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 corporation's initial agent for service of process is: Todd Regonini. The address of the initial agent of the corporation is: 901 Mariners Island Boulevard, Suite 700, San Mateo, CA 94404-1134.

ARTICLE III
BUSINESS ADDRESS & MANAGING AGENT

The corporation has not yet appointed a managing agent. The location of the corporation's office, which is off-site is: 901 Mariners Island Boulevard, Suite 700, San Mateo, CA 94404-1134.

ARTICLE IV
PURPOSES OF THE ASSOCIATION

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law.

The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such Law.

This corporation does not contemplate pecuniary gain or profit to the Members thereof, and the specific purpose of this corporation is to provide for management, administration, maintenance, preservation and architectural control of the residential Units and Common Area within Tract 9470 situated in the City of San Jose, County of Santa Clara, California, fronting on North 8th Street, nearest cross street Mission Street, Zip Code 95112-0000, and to promote the health, safety and welfare of all the residents within the property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for this purpose, all according to that certain Enabling Declaration Establishing a Plan for Condominium Ownership, hereinafter called the "Declaration" recorded or to be recorded with respect to said property in the Office of the Recorder of Santa Clara County, as required by § 1352 of the California Civil Code.

Notwithstanding any of the above statements of purposes and powers, this corporation 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 corporation.

**ARTICLE V
DISSOLUTION**

This Association is intended to qualify as a homeowners' association under the applicable provisions of the Internal Revenue Code, and of the Revenue and Taxation Code of California. 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 property, and other than by a rebate of excess membership dues, fees, or Assessments. So 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 file a certificate of dissolution without the approval of one hundred percent (100%) of the Members. In the event of the dissolution, liquidation, or winding up of the Association, upon or after termination of the project, in accordance with provisions of the Declaration, its assets remaining after payment, or provision for payment, of all debts and liabilities of the Association, shall be divided among and distributed to the Members in accordance with their respective rights therein.

**ARTICLE VI
AMENDMENTS**

These Articles may be amended only by the affirmative vote of a majority of the Board, and by the affirmative vote (in person or by proxy) of Members representing a majority of the voting power of the Association and a majority of the votes of Members other than Declarant, or where the two (2) class voting structure is still in effect (as provided in the Bylaws), a majority of each class of membership. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

IN WITNESS WHEREOF, for the purposes of forming this corporation under the laws of the State of California, the undersigned has executed these Articles of Incorporation this 15th day of April, 2004.



Todd Regonini

I declare that I am the person who executed the above Articles of Incorporation, and such instrument is my act and deed.



Todd Regonini



800 NORTH 8TH STREET HOMEOWNERS

BYLAWS

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BYLAWS OF
800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION

ARTICLE I
NAME AND LOCATION

1.1 Name and Location. The name of the corporation is 800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at the Project, or at such other place as may be designated by the Board.

ARTICLE II
DEFINITIONS

2.1 Incorporation. The definitions contained in the Declaration are incorporated by reference herein.

2.2 Declaration. "Declaration" shall mean and refer to the Enabling Declaration Establishing A Plan For Condominium Ownership applicable to the property recorded in Santa Clara County, and subsequent amendments thereto.

ARTICLE III
MEETING OF MEMBERS AND VOTING

3.1 Annual Meeting. The first meeting of the Members, whether an annual or a special meeting, shall be held within one (1) year from the date of incorporation of the Association or within forty-five (45) days after the closing of the sale of the Project interest which represents the fifty-first (51st) percentile interest authorized for sale under the first public report for the Project, whichever occurs first, but in no event later than six (6) months after the close of escrow on the sale of the first Unit in the Project. The next annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent annual meetings of the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at such time as the Board directs. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following, which is not a legal holiday (excluding Saturday and Sunday).

3.2 Special Meetings. Special meetings of the Members shall be promptly scheduled at any time by the Board in response to the vote of a majority of the Board of Directors, or in response to a request by the Chairman of the Board, the President, or upon written request of the Members representing five percent (5%) of the total voting power of the Association. If the Association is the obligee under a bond or other arrangement to secure performance of the commitment of the Declarant to complete Common Area improvements which have not been completed prior to the close of escrow

of the sale of the first Unit, and the provisions of section 9.12 of the Declaration are applicable, a special meeting of Members may be called in accordance with the provisions of section 9.12 of the Declaration, which provisions are incorporated by reference herein.

If the Association is the obligee under a bond or other arrangement to secure performance of the commitment of the Declarant to pay Assessments on Units owned by Declarant, and the Assessments are delinquent for thirty (30) days, and the provisions of section 9.13 of the Declaration are applicable, a special meeting of Members may be called in accordance with the provisions of section 9.13 of the Declaration, which provisions are incorporated by reference herein.

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 or manager, mailing a copy of such notice, first-class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to each First Lender requesting notice and to all Members, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such 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 proposed to be taken at any meeting for approval for any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s): (a) removing a director without cause; (b) filling vacancies in the Board of Directors by the Members; (c) amending the Articles of Incorporation; (d) approving a contract or transaction in which a director has a material financial interest. 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 fifty-one percent (51%) 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 these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the Members entitled to vote thereat shall have 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 aforesaid shall be present or be represented.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that not less than twenty-five percent (25%) of the total voting power of the Association remains present in person and/or by proxy, and provided further that any action taken shall be approved by a majority of the Members required to constitute a quorum, and that the 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 meeting. 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 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 herein to the contrary, for purposes of obtaining membership approval of special Assessments or increases in annual Assessments as may be required by section 4.4 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 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 his or her Unit, or upon receipt of written notice by the Secretary of the death or judicially declared incompetence of a Member prior to the counting of the vote, or upon the expiration of eleven (11) months 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 and disapproval of each matter or group of matters to be acted upon. The proxy shall provide that, where 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 §§ 7514 and 7613.

3.6 Membership and Voting. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant (as defined in the Declaration) and shall be entitled to one (1) vote for each Unit owned. When more than one (1) person holds an interest in any Unit, all such persons shall be Members. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Unit.

Class B. The Class B Member shall be the Declarant, whose voting rights shall be the same as for Class A memberships, except that Class B Member may triple its votes for each Unit owned. The Class B membership shall cease and be converted to Class A memberships upon the happening of either of the following events, whichever occurs earlier:

- (a) On the second anniversary of the first conveyance of a subdivision interest in the most recent phase of the Project; or
- (b) On the fourth anniversary of the first conveyance of a subdivision interest in the first phase of the Project.

Any action by the Association which must have the approval of the Members before being undertaken shall require the vote of a majority of a quorum of each class of membership, or the written assent of a majority of each class of membership. Where the vote or written assent of each class of membership is required, any requirement that the vote of Declarant be excluded is not applicable, except as provided in the Declaration. After the conversion of Class B membership to Class A membership, any provision herein requiring the approval of Members other than Declarant, except as provided otherwise in the Declaration, shall mean the vote of a majority of a quorum, or

written assent of a majority of the total voting power of the Association (including Declarant's vote(s)) and the vote of a majority of a quorum, or written assent of a majority of the total voting power of Members other than the Declarant.

Owners of Units in all phases shall have the same voting rights. Voting rights shall not vest until Assessments have been levied against those Units by the Association. A "majority vote" means a majority of votes in the Project as a whole, not a majority of votes of Owners in each phase.

3.7 Eligibility to Vote. Voting rights attributable to Units shall not vest until Assessments against those Units have been levied by the Association. 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 section 3.8. 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 such a hearing. A Member shall maintain good standing if said 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: (i) the signature or signatures of the Owner(s) authorized to vote on behalf of the Member's Lot; and (ii) address where all notices shall be sent; or, alternatively, (iii) a proxy that names the Owner's representative and lists said representative's address.

3.8 Record Dates.

A. Record Dates Established by the Board. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board may fix, in advance, a "record date," and only Members of record on the date so fixed are entitled to receive notice, to vote, 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 in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this section shall be as follows:

(1) **Record Date for Notice of Meetings.** In the case of 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.** In the case of 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.** In the case of 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.** In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than sixty (60) days prior to the date of such other action.

B. Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules 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, or, if notice is waived, the business day preceding the day on which the meeting is held.

(2) **Record Date for Meeting.** 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 day 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 has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board 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 in respect to any other lawful action shall be * no more than sixty (60) days prior to the date of such other action the date of such 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 any 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 §§ 7513 and 7516. 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 be named in the written ballot. The written ballot shall provide that, where 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 such 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 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 Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Title 1 of the Corporations Code. 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 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 may delegate the management activities to any management company or a managing agent, provided, however, that the activities and affairs of the Association shall be directed, overseen and managed, and the corporate powers exercised, under the ultimate direction of the Board.

4.2 Number. The Association shall have not less than three (3) nor more than five (5) directors. The number of directors may be changed by approval of the Members. The Association initially shall have three (3) directors, all of whom must be Members of the Association, or an officer, director, employee or agent of a Member, including Declarant. The initial directors shall be elected by the Sole Incorporator and shall hold office until the first meeting of the Members as described in section 3.1 and until their successors are elected.

4.3 Term of Office. At the first meeting of the Association the Members shall elect three (3) directors for a term of one (1) year, and at each annual meeting thereafter the Members shall elect the authorized number of directors for a term of one (1) year. When the number of directors is increased by approval of the Members, the directors shall be elected thereafter for staggered terms of two (2) years each. Unless vacated sooner, each director shall hold office until the director's term expires and a successor is elected.

4.4 Removal; Vacancies. Unless the entire Board is removed from office by the vote of Association Members, an individual Director shall not be removed prior to the expiration of his term of office if the votes cast against his removal would be sufficient to elect him if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of Directors were then being elected. Any or all Directors may be removed if such removal is approved by the vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or written ballot in conformity with California Corporations Code §7513.] In the event of death or resignation of a Director, the vacancy shall be filled by approval of the Board at a duly held meeting, or by the sole remaining Director. The successor Director shall serve for the unexpired term of his or her predecessor. 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.

If a Member of the Board fails to attend three (3) consecutive meetings without legitimate justification, the remaining Directors shall vote to suspend or terminate the Board Member in question.

As a matter of procedure, if a Director is unable to attend a meeting of the Board, he should contact the president or secretary directly to inform him of his intention to be absent.

4.5 Compensation. No director shall receive compensation for any service rendered to the Association. However, any director may be reimbursed for his or her actual expenses, if reasonable, that are incurred in the performance of his/her duties.

4.6 Indemnification of Corporate Agents. 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 § 7237, 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 on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such 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 meeting 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 at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) 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 such 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 qualifications to Members and to solicit votes.

5.2 Election. The first election of the Board shall be conducted at the first meeting of the Association. At such election the Members or their proxies may cast in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. All Members shall be entitled to cumulate their votes for one (1) or more candidates for the Board, if the candidate's name has been placed in nomination prior to voting, and if a Member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. Voting for directors shall be by secret written ballot. So long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, at least one (1) and not less than twenty percent (20%) of the incumbents on the Board shall have been elected solely by the votes of the Owners other than the Declarant, in accordance with the following special procedure. The collected ballots shall be segregated between ballots cast by Declarant, and ballots cast by other Members. The ballots received from other Members shall be counted first, and the person receiving the greatest number of votes from such Members shall be elected to the Board. The votes of Declarant shall then be added to the totals, and the persons receiving the highest number of votes (other than the person already elected) shall be elected to the remaining positions on the Board.

ARTICLE VI MEETINGS OF DIRECTORS

6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly at such place within the Project, and at such hour as may be fixed from time to time by resolution of the Board. If a larger meeting room is required than exists within the Project, the Board shall select a room as close as possible to the Project. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday. Notice of the time and place of the meeting shall be posted at a prominent place within the Common Area or mailed to any Member who had requested notification of Board meetings, at the address requested by the Member. Notice may also be given, by mail or delivery of the notice to each Unit in the Project or by newsletter or similar means of communication and shall be communicated to Directors and Members not less than four (4) 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. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

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, or by any two (2) directors. 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. Such 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 (4) 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 (4) days prior to the meeting. Notice of the special meeting may be given by posting the notice in a prominent place or places within the Common Area, and by mail to any Member who had requested notification of Board meetings, at the address requested by the Member. Notice may also be given, by mail or delivery of the notice to each Unit in the Project or by newsletter or similar means of communication and shall be communicated to Directors and Members not less than four (4) days prior to the meeting. Notices sent by first-class mail shall be deposited into a United States mailbox at least six (6) 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 which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide the notices required by section 6.1. Notice to Members of an emergency meeting is not required.

6.4 Quorum. A majority of the directors then in office (but not less than two (2)) shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.

6.5 Open Meetings. Except as provided in sections 6.6 and 6.7, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board. However, the Board 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 such time limit.

6.6 Executive Session. The Board 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, personnel matters, or to meet with a Member, upon the Member's request, regarding the Member's payment of assessments, as specified in Civil Code sections 1367 or 1367.1. The nature of any and all 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 immediately following meeting that is open to the entire membership. The Board shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member affected shall be entitled to attend the executive session. The Board may hold an executive session emergency meeting if circumstances require, as authorized by section 6.3.

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

A. Each Director participating in the meeting can communicate with all of the other directors concurrently.

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

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

(i) A person participating in the meeting is a director or other person entitled to participate in the Board meeting;

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

Arrangements shall be made to enable any Member who desires to listen to the telephone/electronic meeting of the Board, to be able to do so. 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 shall be posted at a prominent place within the Common Area within three (3) days after the meeting. If the Common Area consists of an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board shall communicate said explanation 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 (a) a quorum is present, and (b) 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 director 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 twenty-four (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 posted at a prominent place within the Common Area. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such 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 notice to Members provided for in section 6.2), if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Board members have been obtained. If the Common Area consists only of an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board shall communicate said explanation 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, except those matters that may be discussed in executive session.

6.12 Availability of Minutes: The minutes, or minutes proposed for adoption that are marked to include draft status, or a summary of minutes of any meeting of the Board, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes or summary shall be distributed to any Member on request and on reimbursement of the Association's costs in making that distribution.

ARTICLE VII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

A. Adopt Policies. The Board shall adopt policies of the Association which shall consist of such resolutions adopted by the Board of Directors that fulfill the purposes of the Association. Said policies will serve the membership and management as the statement of the specific objectives and purposes for which the Association exists.

B. Oversight and Review of Administration of Association Affairs. The Board shall review and direct the officers and Managing Agent of the Association to assure 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 shall supervise all officers, agents and employees of the Association to see that their duties are properly performed.

7.2 Powers. The Board of Directors shall have power to:

A. Manager. Employ a manager or managing agent ("Managing Agent") as provided in the Declaration.

B. Adoption of Rules. Adopt Rules in accordance with the Declaration.

C. Assessments, Liens and Fines. Levy and collect Assessments and impose fines as provided in section 5.2F of the Declaration. If the Association adopts or has adopted a policy imposing any monetary penalty, including any fee, on any Association Member for a violation of the governing documents or rules of the Association, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for Member discipline contained in the governing documents. The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was adopted and distributed to the Members pursuant to this section.

D. Enforcement (Notice and Hearing): Enforce these Bylaws and/or the Declaration. When the Board is to meet to consider or impose discipline upon a Member, the Board shall notify the Member in writing, by either personal delivery or first-class mail, at least fifteen (15) days prior to the meeting. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which a Member may be disciplined, and a statement that the Member has a right to attend and may address the Board at the meeting. The Board shall meet in executive session if requested by the Member being disciplined.

If the Board imposes discipline on a Member the Board shall provide the Member a written notification of the disciplinary action, by either personal delivery or first-class mail, within ten (10) days following the action. A disciplinary action shall not be effective against a Member unless the Board fulfills the requirements of this section.

Under no circumstances may the Association cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of the Owner's Unit on account of the failure of the Owner to comply with the provisions of the Declaration, Articles, Bylaws or Rules, except by judgment of a court or decision of an arbitrator, or on account of a foreclosure or a sale under power of sale for failure of the Owner to pay assessments due or levied by the Association.

E. Contracts: Contract for goods and/or services in accordance with section 5.2K of the Declaration, and section 7.3A of the Bylaws.

F. Delegation. Delegate its authority and powers to officers or employees of the Association or to a Managing Agent employed by the Association. The Board may not delegate the authority: (i) to make expenditures for capital additions or improvements chargeable against the reserve funds; (ii) to conduct hearings concerning compliance by an Owner or his or her tenant, lessee, guest or invitee with the Declaration or Rules and regulations promulgated by the Board; (iii) 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; (iv) to make a decision to levy annual or special Assessments; or (v) 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 at any time. The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the Managing Agent of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

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

H. Use of Recreational Facilities. Limit the number of an Owner's guests who may use the recreational facilities as provided in the Declaration.

I. Other Powers. In addition to any other power contained herein, the Association may exercise the powers granted to a nonprofit mutual benefit corporation as enumerated in the California Corporations Code § 7140

7.3 Prohibited Acts. The Board shall not take any of the following actions, except with the vote at a meeting of the Association or by written ballot without a meeting pursuant to Corporations Code § 7513, of a simple majority of the Members, other than the Declarant:

A. Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year or, notwithstanding the term, where the amount to be paid to the vendor including, without limitation, amounts to be paid under contingent fee contracts, may reasonably be expected to exceed the sum of \$5,000 or five percent (5%) of the budgeted gross expenses of the Association for the fiscal year in which the contract is signed, whichever is less, 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, the terms of which have been approved by the Federal Housing Administration or Veterans Administration (if either has jurisdiction over the Project) or by the Department of Real Estate during the period the Department of Real Estate has jurisdiction over the sale of the Project pursuant to a public report;

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

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

(4) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years' duration, provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(5) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration, provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years' duration, provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and

(7) A contract for a term not to exceed three (3) years that is terminable by the Association after no longer than one (1) year without cause, penalty, or other obligation upon ninety (90) days' written notice of termination to the other party.

(8) Agreements for electronic communications services and equipment not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

B. Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

C. Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

D. Paying compensation to Members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Member or officer to be reimbursed for the actual expenses, if reasonable, that are incurred in the performance 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 may otherwise direct, through its Managing Agent, undertake the following duties and responsibilities:

A. Maintenance. Perform the maintenance described in section 5.1.A of the Declaration.

B. Insurance. Maintain insurance as required by section 8.1 of the Declaration. The Association shall, upon issuance or renewal of insurance, but no less than annually, notify the Members as to the amount and type of insurance carried by the Association, and it shall accompany this notification with statements (required under Civil Code § 1365(e)) to the effect that the Association is or is not insured to the levels specified by Civil Code § 1365.9, and that if the Association is not so insured that 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 the Owners may be individually liable only for their proportional share of Assessments levied to pay the amount of any judgment which exceeds the limits of the association's insurance. The Association shall not levy any Assessment against the Members to pay the amount of any judgment against the Association without a vote approving such Assessment or written consent of a majority of the Members.

The Association shall prepare and distribute to its Members the summaries of the Association's insurance policies as required by Civil Code § 1365 (e), pursuant to section 12.1(5).

C. Discharge of Liens. Discharge by payment, if necessary, any lien against the Common Area and assess the cost thereof 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 IV of the Declaration.

E. Expenses and Obligations. Pay all expenses and obligations incurred by the Association in the conduct of its 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 its acts and affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members; keep adequate and correct books and records of account, minutes of proceedings of its Members, Board and committees, and a record of its Members giving their names and addresses and classes of membership.

H. Contracts. Contract for goods and/or services in accordance with section 5.2.K of the Declaration.

I. 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, who shall at all times be members of the Board of Directors, a Secretary, and a Chief Financial Officer, and such other officers as the Board 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 and each shall hold office for one (1) year unless he or she shall sooner resign, or is removed, or is found by the Board to be disqualified to serve.

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

9.5 Resignation and Removal. Any officer may be removed from office (but not from the Board, if the officer is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such 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. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

9.7 Duties. The duties of the officers are as follows:

A. President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are communicated to the Managing Agent (if any) and are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall 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 such powers and duties as may be prescribed by the Board or by these Bylaws.

B. Vice President. The Vice President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

C. Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

D. Chief Financial Officer. The Chief Financial Officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; shall keep proper books of account; shall prepare and shall distribute budgets and financial statements to each Member as required under these Bylaws and by applicable laws.

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 as provided in section 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 resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California, also requires Members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees of the Board of Directors or the members of those committees; (f) approve any transaction to which the Association is a party and in which one (1) 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 the Association policies. No committee shall be assigned, delegated, or chartered in any manner which would authorize them to take final action in the name of the Association. No committee, officer of a committee, or member of the committee shall take any action that is assigned to the Office of the President or other Officers of the Association. All committees shall report to the Board and shall serve at the pleasure of the Board. Committees of the Board shall not have 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 (including drafts and summaries), and of committees shall be made available for inspection and copying by any Member of the Association, or by his or her duly appointed representative, at any reasonable time and for a purpose reasonably related to his/her interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe. Board minutes, proposed minutes, or draft or summary thereof (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 shall establish reasonable rules with respect to:

- A. Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- B. Hours and days of the week when such an inspection may be made; and
- C. Payment of the cost of reproducing copies of documents requested by a Member.

11.3 Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents, at the expense of the Association.

11.4 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 such 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 pursuant to section 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 which are unpaid on the date of the statement, including late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Unit. The Board may

impose a fee for providing the foregoing which 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, financial statements, and reports to each Member as follows:

(1) 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:

(a) Estimated revenues and expenses on an accrual basis;

(b) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to section 12.2, which shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each Major Component;

(ii) As of the end of the fiscal year for which the study is prepared:

(A) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the Major Components;

(B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain Major Components;

(C) If applicable, the amount of funds received from either a compensatory damage award or settlement to the Association from any person or entity for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to clause (B). In lieu of complying with this requirement, the Association may include in the review of its financial statement pursuant to Paragraph 2 (d), below, a statement containing all of the foregoing information.

(D) The percentage that accumulated cash reserves actually set aside is of the current estimate of cash reserves necessary.

(c) A statement as to whether the Board 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 therefor;

(d) A general statement setting forth 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.

In lieu of the distribution of the pro forma operating budget, the Board may elect to distribute a summary of the items described hereinabove to all the Members, with written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the development, and that copies will be provided upon request and at the expense of the Association. Members shall be notified in writing at the time that the pro forma budget is distributed, or at the time of any general mailing to the entire membership, of their right to have copies of the minutes of meetings, and how and where those minutes may be obtained. If any Member requests a copy of the pro forma operating budget, including the items referred to above, to be mailed to the Member, the Association shall provide the copy to the Member by first-class United States mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the summary of the statement;

(2) A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (a) a balance sheet as of the end of the fiscal year; (b) an operating (income) statement for the fiscal year; (c) a statement of changes in financial position for the fiscal year; (d) for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000), a copy of a review of the financial statement of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy; (e) any information required to be reported under section 8322 of the California Corporations Code;

(3) If the report referred to in (2) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review;

(4) A statement describing the Association's policies and practices in enforcing lien rights, foreclosures, 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, and to any First Lender who has requested a copy, during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year. The notice shall be printed in at least 12-point type.

(5) A summary of the Association's insurance policies as set forth in and required by Civil Code § 1365(e)(1) shall be distributed to the Members within sixty (60) days preceding the beginning of the Association's fiscal year. The summary shall contain in at least 10-point bold face type the following statement:

This summary of the Association's policies of insurance provides only certain information as required by subdivision (e) of §1365 of the Civil Code and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member, upon request and reasonable notice, may review the Association's insurance

policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

(6) The Board shall comply with the requirements of California Civil Code § 1354(i) by providing Members of the Association annually with a summary of the provisions of California Civil Code § 1354, including the following language: "Failure by any Member of the Association to comply with the pre-filing requirements of Section 1354 of the Civil Code may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the governing documents."

(7) The Board shall comply with the requirements of California Civil Code § 1365.1 by distributing a written notice as described in subdivision (b) of Civil Code § 1365.1 entitled "Notice Assessments and Foreclosure" to each Member of the Association during the 60-day period immediately preceding the beginning of the Association's fiscal year. The notice is to be printed in at least 12-point type.

12.2 Reserve Studies. At least every three years the Board shall cause a study of the reserve account requirements of the Project to be conducted, including a reasonably competent and diligent visual inspection of the accessible areas of the Major Components which the Association is obligated to repair, replace, restore or maintain, if the current replacement value of said Major Components is equal to or greater than one-half of the gross budget of the Association, excluding the Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

The study required by this section shall at a minimum include:

(1) Identification of the Major Components which the Association is obligated to repair, replace, restore, or maintain, which as of the date of the study have a remaining useful life of less than thirty (30) years;

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study;

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of each Major Component identified in paragraph (1) during and at the end of its useful life; and

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each Major Component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

As used in this section 12.2, the definition of reserve account shall mean both: (a) monies that the Association's Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those Major Components which the Association is obligated to maintain; and (b) funds received but not expended or disposed from either a compensatory damage award or settlement to the Association from any person or entity for injuries to property, real or personal, arising from any construction or design defects, which funds shall be separately itemized from funds described as the items in (a) above.

As used in this section, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those Major Components which the Association is obligated to maintain.

12.3 Reserve Account Fund Management. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of Major Components which the Association is obligated to repair, restore, replace, or maintain ("Association Major Components") and for which the reserve fund was established, or litigation involving Association Major Components. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided that the Board has made a written finding recorded in the minutes of the Board explaining the reason that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Project, delay the restoration until the time which the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special Assessment to recover the full amount of the expended funds within the time limits required by this section. This special Assessment is subject to the limitation imposed by section 4.4 of the Declaration. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment. When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of the Association of that decision in the next available mailing to all Members pursuant to section 5016 of the Corporations Code, and of the availability of any accounting of those expenses. Unless the Project Documents impose more stringent standards, the Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members of the Association at the Association's office.

12.4 Reserve Account Withdrawal Restrictions. At least two (2) signatures shall be required for the withdrawal of monies from the Association's reserve accounts; signatures shall be those of members of the Board or one (1) member of the Board and one (1) officer who is not a member of the Board.

12.5 Review of Financial Records. 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 to the current year's budget, and an income and expense

statement for the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts. For purposes herein, "reserve accounts" shall mean monies that the Association's Board has identified for use to defray the future repair or replacement of, or additions to, those Major Components which the Association is obligated to maintain.

12.6 Future Changes in Financial Records and Reserve Account Requirements. The provisions of subsections 12.1-12.5 incorporate the statutory requirements of California Civil Code § 1365.5. If said section 1365.5 is amended in any manner, said sections shall be amended in the same manner without the necessity of amending these Bylaws.

ARTICLE XIII MISCELLANEOUS

13.1 Amendments. Prior to close of escrow on the sale of the first Unit, Declarant may amend these Bylaws (provided any amendment constituting a material change shall require the approval of the Department of Real Estate). After sale of the first Unit, 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 Association and a majority of Members other than Declarant, or where the two (2) class voting structure is still in effect, by vote of a majority of each class of Members. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

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

13.3 Fiscal Year. Unless directed otherwise by the Board, the fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

13.4 Determination to Initiate Construction Claims Under Title 7 (Part 2, Division 2) of the Civil Code: The Declarant shall have no control over the Association's ability to decide whether or not to initiate a construction defect claim under Title 7 (Part 2, Division 2) of the California Civil Code. During the period from the incorporation of the Association and the first election of the Board of Directors, any decision whether or not to initiate a construction defect claim under Title 7 shall be made by vote of a majority of the Members, excluding the vote of Declarant, which vote may be either at a duly held meeting of the members, or may be by written ballot. During the period between the first closing of an escrow within the Project, and the election of a Board, at least two members of which were elected solely by votes of Members other than Declarant, the Board shall take any action concerning construction defect claims under Title 7 (including, if necessary, the allocation of Association funds) as requested by a majority of the Members other than Declarant. Upon the election of a Board of Directors, which results in there being at least two (2) Directors elected solely by votes of Members other than Declarant (Non-Declarant Directors), any decisions made thereafter by the Association about whether or not to initiate a construction defect claim under Title 7 shall be made by

the two (2) Non-Declarant Directors, or in the event that there are more than three (3) Non-Declarant Directors serving on the Board, by a majority of the Non-Declarant Directors; provided, further that any determination by such Non-Declarant Directors to initiate a construction defect claim under Title 7 must be ratified by a vote of a majority of the Members, excluding the vote of Declarant. The provisions of this section 13.4 may be amended only with the vote or written consent of a majority of the Members, excluding the vote of Declarant.

CERTIFICATE

I, the undersigned, the duly elected and acting Secretary of 800 NORTH 8TH STREET HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation, do hereby certify that the foregoing Bylaws were adopted as the Bylaws of the Association on April 23, 2004, and that the same do now constitute the Bylaws of the Association.

This Certificate is executed under penalty of perjury on April 23, 2004, in San Mateo, California.

Dated:

4/23/04

Secretary

