

Talavera Homeowners Association

NOTICE REGARDING DISCRIMINATORY RESTRICTIONS

In accordance with California Government Code 12956.1 the Association includes with this governing document the following information:

"If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section [12956.2](#) of the Government Code by submitting a "Restrictive Covenant Modification" form, together with a copy of the attached document with the unlawful provision redacted to the county recorder's office. The "Restrictive Covenant Modification" form can be obtained from the county recorder's office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status."

**BYLAWS
OF
TALAVERA OWNERS ASSOCIATION**

INDEX

BYLAWS OF TALAVERA OWNERS ASSOCIATION

I	NAME	1
II	DEFINITION	1
III	POWERS AND DUTIES OF ASSOCIATION AND BOARD	1
	3.1 POWERS OF ASSOCIATION	1
	3.2 POWERS OF BOARD	1
	3.3 LIMITATIONS ON POWERS OF BOARD	1
	3.3.1 Contracts for Goods or Services	2
	3.3.2 Selling Property of the Association	2
	3.3.3 Compensating Directors and Officers	2
	3.3.4 Improvements to the Common Area	2
	3.3.5 Board Vacancies Resulting from Removal	2
	3.4 BOOKS AND RECORDS	2
	3.5 MINUTES	3
	3.6 DISTRIBUTION OF PROJECT DOCUMENTS	3
	3.7 NOTICE AND HEARING	3
	3.7.1 Procedure	3
	3.7.2 Determination	3
	3.8 TAX EXEMPT STATUS	3
IV	MEMBERSHIP AND VOTING	3
	4.1 CLASSES OF MEMBERSHIP	3
	4.1.1 Class "A" Members	4
	4.1.2 Class "B" Member	4
	4.2 VOTING GENERALLY	4
	4.2.1 Casting Votes	4
	4.2.2 Vesting of Voting Rights	4
	4.3 VOTING PROCEDURES	4
	4.3.1 Specified Percentage	4
	4.3.2 Approval	4
	4.3.3 Of The Members	4
	4.3.4 Of Each Class	4
	4.4 PROXIES	5
	4.5 CUMULATIVE VOTING	5
V	DIRECTORS AND OFFICERS	5
	5.1 GENERALLY	5
	5.2 ELECTION OF DIRECTORS	5
	5.2.1 Nomination	5
	5.2.2 Election	5
	5.2.3 Term of Office	6
	5.3 REMOVAL OF DIRECTORS	6
	5.4 RESIGNATION OF DIRECTORS	6
	5.5 ELECTION OF OFFICERS	6
	5.6 REMOVAL AND RESIGNATION OF OFFICERS	6
	5.7 DUTIES OF OFFICERS	6
	5.7.1 President	6
	5.7.2 Vice President	6
	5.7.3 Secretary	6
	5.7.4 Chief Financial Officer	6
VI	MEETINGS OF MEMBERS	7
	6.1 ANNUAL MEETINGS	7
	6.2 SPECIAL MEETINGS	7
	6.3 NOTICE	7

6.4	QUORUM	7
6.5	PARLIAMENTARY PROCEDURE	7
VII	MEETINGS OF DIRECTORS	8
7.1	MEETING DEFINED	8
7.2	REGULAR MEETINGS	8
7.3	SPECIAL MEETINGS	8
7.4	EMERGENCY MEETINGS	8
7.5	NOTICE	8
7.6	QUORUM	8
7.7	ACTION WITHOUT A MEETING	8
7.8	PARTICIPATION BY MEMBERS	8
VIII	INDEMNIFICATION	9
8.1	GENERALLY	9
8.2	APPROVAL	9
8.3	ADVANCING EXPENSES	9
8.4	NON-LIABILITY OF OFFICIALS	9
8.5	CONTRACTUAL INDEMNITY	9
IX	AMENDMENTS	9
9.1	PROCEDURE	9
9.2	RECORDS OF AMENDMENTS	9
X	CONFLICT	10
	CERTIFICATION	11

BYLAWS OF TALAVERA OWNERS ASSOCIATION

ARTICLE I NAME

The name of this nonprofit mutual benefit corporation is "TALAVERA OWNERS ASSOCIATION" ("Association").

ARTICLE II DEFINITION

The terms used herein shall have the meanings set forth in the Declaration of Covenants, Conditions and Restrictions of Talavera, a planned development, recorded on May 11, 2000, as Document No. 15243205 in the Official Records of the County of Santa Clara, State of California ("Declaration").

ARTICLE III POWERS AND DUTIES OF ASSOCIATION AND BOARD

3.1 POWERS OF ASSOCIATION: The Association has the general power to do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do for the benefit of its Members. These powers include any and all lawful actions which may be authorized, required or permitted to be done under and by virtue of the Project Documents or which may be necessary and proper for or incidental to the exercise of any of the express powers of the Association or for the peace, health, comfort, safety or general welfare of the Members. The Association shall have all of the powers and duties set forth in the Project Documents, subject to the limitations stated in the Project Documents.

3.2 POWERS OF BOARD: Except for the powers specifically reserved to the Members by the Project Documents and except as limited by the laws of the State of California, the Board shall have the authority to exercise all powers and undertake all duties of the Association. The Board may delegate any of its powers to any committee, officer or employee as the Board deems necessary and proper except that no committee shall have the power to: (i) approve any action which requires the approval of the Members as provided in the Declaration or these Bylaws; (ii) fill vacancies on the Board or any committee; (iii) amend or repeal these Bylaws or adopt new Bylaws; (iv) amend or repeal any resolution of the Board; or (v) appoint Directors, committees of the Board or members thereof. The Board may also appoint or hire any qualified person or entity as manager of the Project. Except as expressly prohibited, the Board may delegate to the manager any of its duties, powers or functions, including the authority to deposit or withdraw funds from the accounts of the Association, but excluding the right to take any action described in Corporations Code Section 7236 and excluding the right to withdraw from any Reserve Account. The manager may additionally be authorized to establish a common trustee account for the deposit of assessments collected.

3.3 LIMITATIONS ON POWERS OF BOARD: Any approval of the Members required by this Section must be obtained either (i) at a meeting, as long as more than fifty percent (50%) of the Members are present in person or by proxy or (ii) by written ballot, as long as the number of votes cast by written ballot is more than fifty percent (50%) of the Members. The meeting must be conducted

in compliance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title I of the Corporations Code and Section 7613 of the Corporations Code. The written ballot must be conducted in compliance with Section 7513 of the California Corporations Code. Without the approval of each class of Members, the Board shall be prohibited from taking any of the following actions:

3.3.1 CONTRACTS FOR GOODS OR SERVICES: Entering into a contract with a third person for goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

(a) A management contract, the terms of which have been approved by the Federal Housing Administration or the Department of Veteran's Affairs;

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

(c) Prepaid casualty or liability insurance of not more than three (3) years duration, provided that the policy permits for short rate cancellation by the insured;

(d) Agreements for cable television services not to exceed five (5) years in duration provided that the lessor/supplier under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(e) Agreements not to exceed five (5) years in duration for the sale or lease of burglar alarm and/or fire alarm equipment, installation and services provided that the supplier(s) is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and

(f) 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.

3.3.2 SELLING PROPERTY OF THE ASSOCIATION: During any fiscal year, selling 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.

3.3.3 COMPENSATING DIRECTORS AND OFFICERS: Paying compensation to Directors or officers of the Association for their services as Directors or as officers; provided, however, that the Board may cause a Director or officer to be reimbursed for reasonable expenses actually incurred in carrying on the business of the Association.

3.3.4 IMPROVEMENTS TO THE COMMON AREA: Incurring aggregate expenditures for 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.

3.3.5 BOARD VACANCIES RESULTING FROM REMOVAL: Filling a vacancy on the Board created by the removal of a Director.

3.4 BOOKS AND RECORDS: Declarant shall deliver to the Association copies of the documents identified in and in compliance with the provisions of Title 10 California Code of Regulations Section 2792.23. The Board shall cause a complete record of all of its acts and corporate affairs to be kept. The membership register, including mailing addresses and telephone numbers and all accounting books and records of the Association, and the Project Documents shall be available for inspection and copying by any Member or duly appointed representative of a Member during reasonable business hours. The Board shall establish rules regarding (i) notice to be given to the custodian of the records by a Member desiring to make the inspection; (ii) hours and days of the week when an inspection may be made; and (iii) payment for costs of making copies of documents requested by a Member. Every Director shall have the absolute right to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association at any reasonable time. A Director is entitled to make extracts and copies of documents.

3.5 MINUTES: All minutes of meetings of the Board, or a summary of the minutes (other than minutes of an executive session) shall be available for inspection and copying by any Member or duly appointed representative of a Member within thirty (30) days of the meeting. If the minutes have not been approved by the Board within the thirty (30) day period, then the minutes shall be marked "proposed but not yet adopted" and shall be available for inspection and copying. Minutes of meetings of the Association and committees of the Association, when adopted, shall also be available for inspection and copying by any Member or duly appointed representative of a Member. The right to review and copy shall be limited to reasonable business hours and shall be conducted in accordance with the same procedures applicable to the inspection of accounting books and records. All minutes (or summaries of minutes or proposed minutes, as the case may be) shall be distributed to any Member upon request and upon reimbursement of the costs incurred by the Association in making that distribution. At the time of the distribution of the Association's Budget or Budget summary and at the time of any other general mailing to the entire membership, all Members shall be notified in writing of their rights to copies of the minutes of meetings of the Board and how and where the minutes may be obtained.

3.6 DISTRIBUTION OF PROJECT DOCUMENTS: Within ten (10) days of a written request by a Member, the Association shall provide to the Member current copies of the Project Documents. A charge for the copies may be made by the Association, which shall not exceed the reasonable costs of preparation, reproduction and mailing.

3.7 NOTICE AND HEARING:

3.7.1 PROCEDURE: If (i) a Member or a Member's Invitee appears to have damaged or permitted damage to occur to any portion of the Project which the Association is responsible for maintaining ("Member Damage"), or if a Member appears to be in violation of any provision of the Project Documents and (ii) the provisions of any of the Project Documents require that Notice and Hearing be provided, the Association shall give written notice to the Member specifying the nature of the damage or violation (and providing any other appropriate information) and stating the time, date and place that the Member will have an opportunity to be heard. The notice shall also state that the Association may levy a Reimbursement Assessment if the Association finds that Member Damage or a violation has occurred. Written notice shall be given at least fifteen (15) days prior to the date set for the hearing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after it has been deposited in the United States mail, first class postage prepaid, addressed to the Member at the address given by the Member to the Board for the purpose of service of notice or to the address of the Member's Lot if no other address has been provided. Any address may be changed from time to time by giving written notice to the Board.

3.7.2 DETERMINATION: After the hearing has taken place, the Board shall (i) determine whether Member Damage or a violation has occurred and, if so, may impose a Reimbursement Assessment which shall become effective not less than five (5) days after the date of the hearing; or (ii) take such other action as may be appropriate. The determination of the Board shall be final. However, nothing herein shall be construed to prevent the Board from making any emergency repairs or taking any other emergency action it deems necessary and subsequently providing Notice and Hearing.

3.8 TAX EXEMPT STATUS: If the Board elects to obtain and maintain tax-exempt status for the Association, the Board shall cause any annual election for tax-exempt status required under federal or state law to be filed timely and shall cause the Association to comply with the statutes, rules and regulations adopted by federal and state agencies pertaining to such exemptions.

ARTICLE IV MEMBERSHIP AND VOTING

4.1 CLASSES OF MEMBERSHIP: Until the conversion of Class B membership to Class A membership, the Association shall have two (2) classes of Members.

4.1.1 CLASS "A" MEMBERS: Each Owner, except Declarant, shall be a Class A Member. Declarant shall be a Class A Member after the expiration of Class B membership. One (1) vote for each Lot owned by a Class A Member may be cast.

4.1.2 CLASS "B" MEMBER: Until the expiration of Class B membership, Declarant shall be a Class B Member. Three (3) votes for each Lot owned by a Class B Member may be cast. Class B membership shall expire and shall be converted to Class A membership on the first to occur of the following events:

(a) The date which is the second (2nd) anniversary of the first conveyance of title to a Lot which was covered by the originally issued Public Report for the most recent Phase of the Project; or

(b) The date which is the fourth (4th) anniversary of the first conveyance of title to a Lot which was covered by the originally issued Public Report for the first Phase of the Project.

4.2 VOTING GENERALLY:

4.2.1 CASTING VOTES: The vote for each Lot shall be cast as a majority of co-Owners of the Lot shall determine. Any vote cast by a single Member shall be deemed the authorized vote for that Lot. If the majority of co-Owners present in person or by proxy at a meeting cannot agree as to how to cast the vote for the Lot, no vote shall be cast for that Lot. The power to cast a particular Member's vote may be exercised by (i) the Member's conservator; (ii) the guardian of the Member's estate; (iii) the parent(s) entitled to custody of a Member if the Member is a minor; or (iv) the executor or administrator of a deceased Member's estate if the Member's interest in the Lot is subject to estate administration.

4.2.2 VESTING OF VOTING RIGHTS: A Member's voting rights shall vest once payment of the Regular Assessment has commenced for the Member's Lot, but in no event before that time.

4.3 VOTING PROCEDURES: Any action required by law or by the Project Documents to be approved by the Owners, the Members or each class of Members shall be approved, if at all, in accordance with the procedures set forth in this Section.

4.3.1 SPECIFIED PERCENTAGE: All references in this Section 4.3 to the term "Specified Percentage" shall refer to the percentage vote expressly required by the Project Documents, unless no percentage is specified, in which case the action to be approved shall only require a majority vote.

4.3.2 APPROVAL: Approval shall be obtained, if at all, either at a meeting or by written ballot in accordance with either of the following two procedures:

(a) Any action taken at a meeting shall be approved by the vote of the Specified Percentage of the total number of votes which may be cast by the Members who are present at the meeting or represented by proxy. If a quorum is not present after a quorum was initially established, any action taken shall be subject to the requirements of Section 7512 of the California Corporations Code.

(b) Action taken without a meeting shall be approved by the written ballot of the Specified Percentage of the total number of votes which are cast by the Members; as long as the number of votes cast by written ballot is at least equal to a quorum. However, action without a meeting may only be utilized if done in full compliance with Section 7513 of the California Corporations Code. In no circumstances, may Directors be elected by using this procedure.

4.3.3 OF THE MEMBERS: Each provision of the Project Documents or of law which requires the approval of the Members requires all Members to vote as a single group.

4.3.4 OF EACH CLASS: Each provision of the Project Documents which requires the approval of each class of Members shall be approved in accordance with one of the following provisions:

(a) Prior to the conversion of Class B membership to Class A membership, any action for which the Project Documents expressly require the approval of each class of Members shall require the separate approval of the Specified Percentage of each class of Members.

(b) After the conversion of Class B membership to Class A membership, if Declarant owns one or more Lots in the Project, any action for which the Project Documents expressly require the approval of each class of Members shall require the separate approval of (i) the Specified Percentage of the Members and (ii) the Specified Percentage of the Members, excluding the vote of Declarant.

(c) After the conversion of Class B membership to Class A membership, if Declarant does not own one or more Lots in the Project, any action for which the Project Documents expressly require the approval of each class of Members shall require the Specified Percentage of the Members.

4.4 PROXIES: Each Member may vote by proxy. Each proxy shall be in writing, signed and dated by the Member and filed with the Secretary of the Association. No proxy shall be valid as to those matters described in Corporations Code Section 7613(g) unless it sets forth the general nature of the matter as required by Section 7613(g). Every proxy shall be revocable and shall automatically cease upon actual notice to the Association of the conveyance by the Member of the Member's interest in the Lot or the death or judicially declared incompetence of the Member. Any form of proxy or written ballot distributed by any person to the Members shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon except that a candidate for election as a Director need not be named in the proxy or written ballot. The proxy or written ballot shall provide that where the Member specifies a choice the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

4.5 CUMULATIVE VOTING: Cumulative voting applies only when electing or removing Directors. Class A Members shall be entitled to cast a number of votes equal to the number of Directors to be elected multiplied by the number of Lots owned. Class B Members shall be entitled to cast a number of votes equal to the number of Lots owned multiplied by three multiplied by the number of Directors to be elected. Every Member may cumulate votes and give them to a single candidate or distribute them among as many candidates as the Member thinks fit, as long as the name of any candidate for whom the Member casts cumulated votes has been put into nomination prior to the commencement of voting and the Member announces an intention to cumulate votes prior to voting. If one Member announces an intention to cumulate votes, all Members may cumulate votes.

ARTICLE V

DIRECTORS AND OFFICERS

5.1 GENERALLY: The affairs of the Association shall be managed by a Board of three (3) Directors. Directors shall be elected at annual meetings. The officers of the Association shall be a President, a Secretary and a Chief Financial Officer (Treasurer). Each officer shall hold office until a successor is elected unless the officer resigns, is removed or otherwise is disqualified from serving. Except as provided in Section 3.3.5, the Board may appoint a person to fill a vacancy in any office and the replacement shall serve the remainder of the term of the replaced officer.

5.2 ELECTION OF DIRECTORS: The initial Board shall be appointed by Declarant and shall hold office until the first annual meeting of Members. Beginning at the first annual meeting, Directors shall be elected as provided in this Section.

5.2.1 NOMINATION: Nomination for election to the Board shall be made by a nominating committee. The nominating committee shall consist of a chairman, who shall be a Director, and two or more Members. The committee shall be appointed by the Board and shall be announced at each annual meeting. Members of the nominating committee shall serve from the close of the meeting at which their appointments are announced until the close of the next annual meeting. The nominating committee shall make as many nominations for election to the Board as it determines in its discretion; provided, however, that there must be at least as many nominations as there are vacancies to be filled. Nominations may also be made from the floor.

5.2.2 ELECTION: Election to the Board shall be by secret written ballot. The persons receiving the largest numbers of votes shall be deemed elected. Each Member may cumulate votes in the

manner described in Section 4.5. However, as long as there are two (2) classes of Members, or as long as Declarant is entitled to cast a majority of the votes which may be cast by the Members, twenty percent (20%) of the Directors must be or have been separately elected solely by a vote of Members other than Declarant. The remaining Directors shall then be elected in the manner described in this Section.

5.2.3 TERM OF OFFICE: Each Director elected shall serve a term of one (1) year. Each Director shall serve from the date appointed or elected until a successor is elected.

5.3 REMOVAL OF DIRECTORS: Unless the entire Board is removed from office by a vote of the Members, an individual Director shall not be removed prior to the expiration of the Director's term if the number of votes cast against removal is greater than the sum arrived at by using the following formula: $X/Y + 1$, where X equals the total number of votes cast at the election to remove the Director and Y equals the number of Directors authorized to be elected by these Bylaws. However, any Director who has been elected solely by Members other than Declarant may be removed from office prior to the expiration of the Director's term only by the vote of not less than fifty-one percent (51%) of Members other than Declarant. When voting for the removal of a Director, each Member shall be entitled to cumulate votes as described in Section 4.5.

5.4 RESIGNATION OF DIRECTORS: Any Director may resign by giving written notice to the Board. The resignation shall be effective on the date specified in the notice. Unless otherwise provided in the notice, the acceptance of a resignation shall not be necessary to make it effective. The vacancy created by the resignation may be filled by a majority vote of a quorum of the Board. However, if the number of Directors remaining after the resignation is less than a quorum, the vacancy may be filled by the unanimous written consent of all Directors then holding office. The Members may elect a director to fill any vacancy which remains unfilled by the Board for a period in excess of sixty (60) days.

5.5 ELECTION OF OFFICERS: Officers shall be elected by the Board at the first meeting held after each annual meeting of the Association. The Board may also elect a Vice President and/or such other officers as the affairs of the Association may require. The terms of office shall be prescribed by the Board.

5.6 REMOVAL AND RESIGNATION OF OFFICERS: Any officer may be removed from office by the Board with or without cause. If a Director serving in the office of President or Vice President has been removed pursuant to Section 5.3, the Director shall also be automatically removed from the position as an officer. Any officer removed by the Board shall not be removed from the position of Director except pursuant to Section 5.3. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. The resignation shall be effective on the date specified in the notice. Unless otherwise specified in the notice, the acceptance of a resignation shall not be necessary to make it effective.

5.7 DUTIES OF OFFICERS: Unless otherwise (i) directed by the Board or (ii) required by law, officers shall perform the duties described herein:

5.7.1 PRESIDENT: The President or other person designated by the President shall (i) preside at all meetings of the Board and of the Members; (ii) see that orders and resolutions of the Board are carried out; and (iii) sign all leases, mortgages, deeds, promissory notes and other written instruments.

5.7.2 VICE PRESIDENT: The Vice President, if any, shall act in the place and stead of the President in the event of the President's absence or inability or refusal to act.

5.7.3 SECRETARY: The Secretary shall (i) record the votes and keep the minutes of all meetings and proceedings of the Board and the Association; (ii) serve notice of meetings of the Board and the Association; and (iii) keep appropriate current records showing the Members together with their addresses.

5.7.4 CHIEF FINANCIAL OFFICER: The Chief Financial Officer shall (i) receive and deposit into appropriate bank accounts all monies of the Association; (ii) disburse funds as directed by

resolutions of the Board; (iii) keep proper books of account; and (iv) prepare or cause to be prepared all budgets and financial statements.

ARTICLE VI

MEETINGS OF MEMBERS

6.1 ANNUAL MEETINGS: The first annual meeting of the Association shall be held within six (6) months after the date of the closing of the sale of the first Lot in the Project. The second annual meeting of the Association, and every annual meeting thereafter, shall be set by the Board so as to occur no later than fifteen (15) months after the date of the previous annual meeting. The specific day and time of each meeting shall be determined by the Board. Meetings shall be held within the Project or at a location as close to the Project as possible.

6.2 SPECIAL MEETINGS: A special meeting of the Members must be promptly scheduled by the President, or, if the President refuses or is unable to, by any Director, upon (i) a vote of the Board itself; or (ii) receipt by the Board of a written request for such a meeting signed by Members entitled to cast not less than five percent (5%) of the total votes which may be cast by the Members. Special meetings of the Members may also be called at any time by the President or the Board.

6.3 NOTICE: Except where the Project Documents require otherwise, written notice of regular and special meetings of the Members shall be given by or at the direction of the Secretary or other person authorized to call the meeting. Notice of each meeting shall be given to each Member entitled to vote at the meeting and shall be addressed to the Member at either (i) the most recent address appearing on the books of the Association or (ii) the address supplied by the Member to the Association for the purpose of notice. Notices for a meeting called pursuant to Sections 6.1 or 6.2(i) shall be personally delivered or mailed first class with postage prepaid at least ten (10) but not more than ninety (90) days before the meeting; however, notices for a meeting called pursuant to Section 6.2(ii) shall be given at least thirty-five (35) but not more than ninety (90) days after receipt by the Board of the request. Notice by mail other than first class shall be made at least twenty (20) but not more than ninety (90) days before each meeting. Notices of meetings shall specify the place, day and hour of the meeting and any matters the Board intends to present for action by the Members. Notices of special meetings shall also state the purpose of the special meeting. Except as otherwise provided in these Bylaws or by law, any proper Association matter may be presented at a meeting for action. If mailed, notices shall be deemed to be delivered twenty-four (24) hours after their deposit in the United States mail, first class postage prepaid.

6.4 QUORUM: The presence at the meeting of Members and proxies entitled to cast one-third (1/3) of the total number of votes which may be cast by the Members shall constitute a quorum for any action, unless a higher percentage is required by the Davis-Stirling Common Interest Development Act. If a quorum is not present or represented at any meeting, a majority of the Members present in person shall have the power to adjourn the meeting to another time with no notice other than an announcement at the meeting. If a time and place for the reconvened meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the reconvened meeting after adjournment, notice of the time and place of the reconvened meeting shall be given to Members in the manner prescribed for regular meetings. The quorum for the reconvened meeting shall be twenty-five percent (25%); however, if fewer than one-third (1/3) of the total number of votes which may be cast by the Members are present in person or by proxy, the only business that may be transacted are those items which were generally described in the notice of the meeting.

6.5 PARLIAMENTARY PROCEDURE: Meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure which shall be adopted by the Board.

ARTICLE VII

MEETINGS OF DIRECTORS

7.1 MEETING DEFINED: The term "meeting" shall mean 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.

7.2 REGULAR MEETINGS: Regular meetings of the Board shall be held quarterly unless the Board determines that the business to be transacted requires more frequent meetings. In that event, regular meetings shall be held at intervals determined by the Board but not less frequently than quarterly. Regular meetings shall be held at the time and place fixed by the Board.

7.3 SPECIAL MEETINGS: Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by any two Directors other than the President.

7.4 EMERGENCY MEETINGS: Emergency meetings of the Board may be called by the President of the Association or by any two (2) Directors other than the President, (i) if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and (ii) which, of necessity, make it impracticable to provide notice in accordance with the provisions of Section 7.5, below.

7.5 NOTICE: Notice of any meeting of the Board, except an emergency meeting, shall be given to each Director not less than four (4) nor more than fifteen (15) days prior to the date fixed for such meeting. Notice shall be personally delivered or sent by mail or telegram to each Director at the Director's address as shown in the records of the Association; provided, however, that notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to the holding of such meeting. The notice shall specify the time, place and purpose(s) of the meeting. If the notice is mailed, it shall be deemed to be delivered twenty-four (24) hours after deposit in the United States mail with first class postage fully prepaid. If notice is given by telegram, notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The attendance of a Director at the meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

7.6 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 action taken and every decision made by the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

7.7 ACTION WITHOUT A MEETING: The Directors shall have the right to take any action that may be required for the efficient and expeditious operation and conduct of the Association's business without a meeting if (i) the Board would have the power and authority to act at a meeting and (ii) the written consent of all Directors to such action is obtained. Unless mailed, written notice of the action taken without a meeting must be posted in a conspicuous place within the Common Area within three (3) days after the consent of all Directors is obtained. Any action taken by written consent shall have the same effect as if it were taken at a duly noticed meeting of the Board.

7.8 PARTICIPATION BY MEMBERS: Unless notice is mailed to all Members, the Secretary shall post a notice of all Board meetings in a conspicuous place within the Common Area. Notices shall be posted not less than four (4) days prior to the scheduled time of the meeting, except for emergency meetings of the Board. Except as provided in this Section, all meetings of the Board shall be open to all Members. Members may speak at any meeting they are entitled to attend, subject to the reasonable time limits established by the Board. If the nature of the business is first announced in open session, with the approval of a majority of the Directors present at a meeting in which a quorum for the transaction of business has been established, the Board may vote to adjourn and reconvene in executive session to consider, discuss and vote upon litigation, matters that relate to the formation of contracts with third parties, Member discipline or personnel matters. In any matter relating to the discipline of a Member,

the Board shall meet in executive session if requested by that Member and that Member shall be entitled to attend the executive session. Any matter discussed in executive session shall be noted generally in the minutes of the Board.

ARTICLE VIII INDEMNIFICATION

8.1 GENERALLY: A Director, officer, committee member, employee or other agent of the Association (collectively "Agent") who is a party to or is threatened to be made a party to any proceeding (including a proceeding by or on behalf of the Association) by reason of the fact that such Agent is or was an agent of the Association shall be indemnified by the Association against all expenses and liabilities actually and reasonably paid or incurred in connection with the proceeding to the maximum extent permitted by the California Nonprofit Mutual Benefit Corporation Law. Terms used in this Article shall have the same meaning as in Section 7237 of the California Corporations Code.

8.2 APPROVAL: Upon written request to the Board by any Agent seeking indemnification, the Board shall promptly determine whether the applicable standard of conduct set forth in the California Nonprofit Mutual Benefit Corporation Law has been met. If so, the Board shall authorize indemnification. If pursuant to limitations imposed by Section 7237 of the California Corporations Code the Board cannot authorize indemnification because more than fifty percent (50%) of the Directors are parties to the proceeding for which indemnification is sought, the Board shall promptly call a special meeting of Members. At the meeting, the Members shall determine whether the applicable standard of conduct set forth in the California Nonprofit Corporation Law has been met. If so, the Members shall authorize indemnification. Members or other persons seeking to be indemnified shall not be entitled to vote on the question of indemnification.

8.3 ADVANCING EXPENSES: Prior to the final disposition of a proceeding described in Section 8.1, the Association shall advance the costs of defense incurred by the Agent if the Agent (i) agrees to reimburse the Association and (ii) provides assurances of the Agent's ability to reimburse the Association. At the final disposition of the proceeding, the Agent shall reimburse the Association unless it was determined that the Agent is entitled to be indemnified by the Association.

8.4 NON-LIABILITY OF OFFICIALS: To the fullest extent permitted by law, and except as may be limited by Section 7236 of the California Corporations Code, no Agent shall be liable to any Member, Owner, the Association or any other party for any damage, loss, claim, liability or prejudice suffered or claimed as a result of any decision, approval, disapproval, course of action, act, inaction, omission, error, or negligence which was (i) made in good faith and (ii) reasonably believed by such Agent to be within the scope of such Agent's duties as a Director, officer or committee member.

8.5 CONTRACTUAL INDEMNITY: The provisions of this Article shall not affect any right to indemnification to which persons other than officers and directors may be entitled to by contract or otherwise.

ARTICLE IX AMENDMENTS

9.1 PROCEDURE: Except as provided in the Declaration, these Bylaws may be amended by the approval of each class of Members; provided however, any amendment made while there are two (2) classes of membership requires the prior approval of the Federal Housing Administration and/or the Department of Veteran's Affairs if either is a First Mortgagee.

9.2 RECORDS OF AMENDMENTS: Whenever an amendment or a new Bylaw is adopted, it shall be added in the appropriate place in the Association's minute book. If any Bylaw repeals

any portion of these original Bylaws, either the date of the meeting at which the Bylaws or portion thereof was repealed or the date written consent was filed with the Secretary shall be stated therein.

ARTICLE X
CONFLICT

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

CERTIFICATION

I, the undersigned, do hereby certify that:

I am the incorporator of TALAVERA OWNERS ASSOCIATION, a California nonprofit mutual benefit corporation; and

The foregoing Bylaws are hereby adopted as the original Bylaws of the Association.

Dated: May 12, _____, 2000



Incorporator