

BY-LAWS OF
MONTEVIDEO IMPROVEMENT ASSOCIATION NO. 1

ARTICLE I - PRINCIPAL OFFICE: The principal office of the corporation in the State of California shall be located at 1585 Monteval Lane, City of San Jose, County of Santa Clara, unless otherwise designated by the Board of Directors.

ARTICLE II - MEMBERSHIP: The corporation shall have one class of membership. The qualifications and rights of the members shall be as follows:

Section 1 - Limitation of Membership: Every purchaser of any lot located in Montevideo Tracts Numbers 3971, 3972, 4016 and 4017 shall be deemed a member of this Association upon purchase, and membership shall be limited to the owners of said lots. Membership shall consist of one member for each lot within the above subdivisions, and shall be appurtenant to and may not be separated from ownership of any lot. Ownership of such lot shall be the sole qualification for membership.

Section 2 - Voting: A member in good standing shall be a member who has paid in full all assessments and fees due and owing to the Association, and whose voting rights have not been suspended. Except as otherwise expressly provided herein, members in good standing shall be entitled to one vote per membership, which vote may be fragmented and cast in fractions of a vote, on each matter submitted to a vote of the members. For the purpose of electing Directors, each member shall have five (5) votes, and voting shall be cumulative.

Section 3 - Proxies: Voting by written proxy shall be permitted. All proxies shall be filed with the Secretary of the corporation prior to the casting of votes at a membership meeting. No proxy shall be valid eleven (11) months from the date of its execution unless otherwise expressly provided therein.

Section 4 - Transfer of Membership: Immediately upon sale of any lot in the above named subdivisions, each member shall be obliged to notify the Board of Directors of the transfer of his membership in this corporation. Upon failure to notify the Board of Directors in writing of said transfer for a period of fifteen (15) days, he shall be deemed to have transferred and relinquished all membership rights.

Section 5 - Delegation of Use: Any member may delegate his right of enjoyment to the facilities of the Association to the members of his family, his tenants, or contract purchasers, who reside on the property.

Section 6 - Annual Meetings of Membership: An annual meeting of the membership shall be held no later than February 1st of each year, the date, time and place to be determined by the Board of Directors. Said annual meeting shall be for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. Where, in the opinion of the Board, a more adequate and full representation of the membership could be accomplished by mailed, written

955 - 18M - 19

ballots, or by a combination of written proxy votes and membership meeting, the same may be authorized and conducted in such manner as the Board of Directors shall determine and which shall provide adequate safeguard for the prevention of duplicate balloting.

Section 7 - Special Meetings of Membership: Special meetings of the members may be called by the President or by the Board of Directors. The President or the Board of Directors shall be required to call such a meeting within twenty (20) days following the receipt of a petition signed by not less than one-third (1/3) of the members having voting rights and requesting the same.

Section 8 - Informal Action by Members: Any action which may be taken at a meeting of the members or is required by law to be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof, and said consent filed with the Secretary of the corporation.

Section 9 - Notice of Meetings: Written notice of any meeting of members shall be delivered either personally or by mail to each member entitled to vote not less than five (5) nor more than twenty-one (21) days prior to the date of such meeting. The purpose or purposes for which a meeting is called shall be stated in said notice. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, to the member at his address as it appears on the records of the corporation.

Section 10 - Quorum: Except as otherwise specifically provided herein, one-half (1/2) of the members of the corporation entitled to vote shall constitute a quorum for the transaction of business at any meeting duly called.

ARTICLE III - BOARD OF DIRECTORS:

Section 1 - Powers and Duties: All corporate powers shall be vested in and be exercised by or under the authority of, the properties of the corporation controlled by, and its affairs conducted by a Board of Directors. The Board of Directors shall constitute the governing body of the corporation and shall be empowered to do any and all things necessary or proper to carry out the objects and purposes of the corporation consistent with law, the Articles of Incorporation and Regulatory Agreement, and these By-Laws.

The Board of Directors shall make and prescribe such rules and regulations as the Board deems proper and as are necessary or convenient for carrying into effect the requirements of these By-Laws. It shall appoint and remove at its pleasure all agents and employees of the corporation, delegate authority to and prescribe their duties, fix their compensation, and, if deemed necessary, require from them security for the faithful performance of their duties, and may enter into contracts for the terms and conditions of their service and compensation therefor.

E

Except as otherwise herein provided, the Board shall deal conclusively with all matters relating to the discipline of members, their delegates or guests and, as it may deem proper, exercise the right of the Association to suspend the right of use of the Association facilities by a member or his delegates for a period not to exceed thirty (30) days for any one infraction of its published rules and regulations. The Board may also impose fines of not more than fifty (\$50.00) dollars for any one violation of its published rules and regulations, and may suspend the voting rights of a member, as well as the right to use of Association facilities by a member or his delegates, for any period during which any assessment against his lot remains unpaid. Such member shall be notified within twenty-four (24) hours of any such action taken, and may appeal the same to the Board of Directors or to a meeting of the membership.

The Board of Directors shall arrange for the cost of repairs or damage to Association property by members or their delegates or guests to be paid by the member immediately. Failure on the part of the member to pay the cost of repairs for damage assessable to him within 30 days shall automatically cause the revocation of all privileges of the member and his delegates.

The specification of particular powers and duties herein shall not be construed to limit or restrict the powers and duties of the Board of Directors, and the Board of Directors shall exercise the control, management and operation of the corporation.

Section 2 - Number, Qualification and Tenure: The number of Directors shall be five (5), who shall be members in good standing. Each director shall hold office until the next annual meeting of members and until his successor shall have been elected and qualified. Their term of office shall begin immediately after election.

Section 3 - Meetings: The Board of Directors shall meet at least twice each year, the date, time and place to be determined by resolution of the Board of Directors. Such regular meetings need not be noticed other than by such resolution. The President, or any two (2) Directors, may call a special meeting of the Board of Directors at any time deemed necessary. Notice of any special meeting shall be delivered personally to each Director, either verbally, by telephone or by written notice, no later than twenty-four (24) hours prior to the time of such meeting.

Section 4 - Waiver of Notice: Any Director may waive notice of any meeting. The attendance of a Director at any 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 any business because the meeting is not lawfully called or convened. If a majority of the Directors are present at a meeting, and those not present sign a written waiver of notice of such meeting, whether prior to or after the holding of such meeting, which said waiver shall be filed with the Secretary of the corporation, the transactions thereof are as valid as if had at a meeting regularly called and noticed.

Section 5 - Quorum: A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board, and the action of a majority of the Directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act. If less than a majority of the Directors are present, those present may adjourn the meeting from time to time, but may not transact any other business. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

Section 6 - Directors Acting Without a Meeting: Any action required or permitted to be taken by the Board of Directors may be taken without a meeting and with the same force and effect as a unanimous vote of Directors if all members of the Board shall individually or collectively consent in writing to such action. Such consent shall be signed and filed with the regular minutes of the Board. Any certificate or document relating to an action so taken by written consent shall state thereon that it was taken by the unanimous written consent of the Board of Directors without a meeting and that the By-Laws of the corporation authorize the Directors to so act.

Section 7 - Vacancies: Vacancies in the Board of Directors occurring either by death, removal or resignation of a Director, may be filled by the remaining Directors, though less than quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at the next annual meeting of members or at a special meeting called for that purpose. Any vacancy that is not filled by the Board of Directors may be filled by the members at an election held for that purpose. Members may elect additional Directors at the meeting at which an amendment to these By-Laws is voted authorizing an increase in the number of Directors, or if the members shall fail to do so, or shall fail at any time to elect the full number of authorized Directors, then such vacancies shall be filled by the Directors.

Section 8 - Removal of Directors: The entire Board of Directors, or any individual Director, may be removed from office as provided by applicable law of the State of California.

Section 9 - Compensation: Directors as such shall not receive any stated salaries for their services, but nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

ARTICLE IV - OFFICERS:

Section 1 - Election and Term: The officers of the corporation shall be a President, a Vice-President, a Secretary and a Treasurer, who shall be elected by the Board of Directors at their first organizational meeting following their election, or as soon thereafter as may be convenient, and each shall hold office until he shall resign or be removed or otherwise disqualified, or until his successor shall be elected and qualified. The corporation may also have, at the discretion of the Board of Directors, one or more additional Vice-Presidents, Assistant Secretaries or

965 - 151M - 19

Assistant Treasurers, or such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these By-Laws or as the Board of Directors may from time to time determine. No officer shall be compensated for his service, except, however, the Board of Directors may employ a manager for the property owned by the corporation upon such terms and conditions and to receive such compensation as the Board of Directors may deem appropriate. Such manager may be a member of the Board of Directors. One person may hold two or more offices, except those of President and Secretary.

Section 2 - Removal and Resignation: Any officer may be removed, either with or without cause, by a majority of the Directors, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors, Any officer may resign at any time by giving written notice to the Board or to the President or the Secretary of the corporation. Such resignation shall take effect upon receipt thereof or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be required to make it effective. A vacancy due to any cause shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3 - President: The President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. He shall preside at all meetings of the members and of the Board of Directors. He shall be an ex-officio member of all committees, and shall have such other powers and duties as may be prescribed by the Board of Directors or by these By-Laws.

Section 4 - Vice President: In the absence or disability of the President, the Vice-President shall perform all of the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. If the Vice-President shall be unable to act, the Board of Directors shall appoint some other member of the Directors in whom shall be vested for the time being all the duties and functions of the office of President. The Vice-President or Vice-Presidents elected by the Board shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors.

Section 5 - Secretary: The Secretary shall keep or cause to be kept a book of minutes at the principal office or at such other place as the Board of Directors may order, of all meetings of Directors and of the membership, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given thereof, the names of those present at Directors' meetings, the number of members present or represented at membership meetings, and the proceedings thereof. He shall keep, or cause to be kept, at the principal office a membership book showing the names and addresses of all of the members. Transfer of any membership shall be recorded in the book together with the date on which each membership was transferred. The Secretary shall see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law, shall be the custodian of the corporate seal and of the corporate records, and shall

have such powers and perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

Section 6 - Treasurer: The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, capital and surplus. He shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board of Directors, and shall disburse the funds of the corporation as may be ordered by the Board of Directors, and shall render to the President and to the Directors, whenever they request it, an account of all transactions and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

ARTICLE V - COMMITTEES:

Section 1 - Committees of Directors: The Board of Directors may by resolution designate one or more committees, each of which shall consist of two or more Directors, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the corporation, but the designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed upon it or him by law.

Section 2 - Other Committees: The Board of Directors may create such other committees as may be necessary from time to time, consisting of such number of members and with such powers and duties as it may designate but not having and exercising the authority of the Board of Directors. The Board may delegate to the President the authority to appoint or remove the members of such committees.

Section 3 - Term of Office: Each member of a committee shall continue as such until his successor is appointed unless the committee shall be sooner terminated or unless such member be removed or shall cease to qualify as a member thereof.

ARTICLE VI - BOOKS AND RECORDS: All books and records of the corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time.

ARTICLE VII - CERTIFICATE OF MEMBERSHIP: The Board of Directors may provide for the issuance of certificates evidencing membership in the corporation, which shall be in such form as may be determined by the Board. Such certificates shall be signed by the President or a Vice-President and by the Secretary or an Assistant Secretary, and shall bear the corporate seal. All certificates shall be consecutively numbered, and the name and address of each member and the date of issuance shall be entered on the records of the corporation. Where more than one person is the owner of any lot within the subdivision described in these By-Laws,

only one membership certificate shall be issued for each lot and may reflect the names of all owners of any lot within the subdivisions. A statement that the corporation is not one for profit shall be printed upon the face of each certificate. If any certificate shall become lost or destroyed, or wrongfully withheld, such certificate may be cancelled upon the records of the corporation and a new certificate issued therefor upon such terms and conditions as the Board of Directors may determine. Upon payment of any fees and dues that may then be required, the Secretary shall issue and deliver a certificate of membership to any member admitted if the Board of Directors shall have provided for the issuance of such certificates.

ARTICLE VIII - ANNUAL REPORT: The Board of Directors shall cause an annual report to be sent to the members not later than 60 days after the close of the fiscal year. Such report may be delivered to the members at the annual meeting if such meeting is held within 60 days after the close of the fiscal year.

ARTICLE IX - DUES AND ASSESSMENTS: After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessment at an amount not in excess of the maximum set forth in the Declaration of Restrictions. Commencement and due dates shall be established by the Board of Directors. Any assessments which are not paid when due shall be delinquent, and the Board of Directors shall take all steps it deems necessary to secure the timely payment of monthly dues and authorized special assessments.

From and after January 1st of the year immediately following the transfer of title of the community facility to the Association, the maximum annual assessment may be increased above that set forth and described in the Declaration of Restrictions affecting the community facility and recorded in the Office of the County Recorder above that established by the consumer price index formula by a vote of the members of the Association, which said increase shall exist for the year following such vote and upon each year thereafter as approved by the members, provided, however, that any such change in the annual assessment shall have the assent of two-thirds of the members of the corporation entitled to vote, at a meeting duly called for that purpose in accordance with these By-Laws.

During each succeeding year following the first year of the existence of this corporation, the Board of Directors may adopt a reasonable admission fee for membership. A schedule of fees adopted shall be submitted to the Federal Housing Administration and shall receive its prior approval before becoming effective. Any such membership fees as may be collected pursuant to such schedule which has been approved by the Federal Housing Administration shall be set aside by the corporation in a special fund designated as "Reserve for Replacements," and such fund shall be maintained for the purpose of maintenance and repair of the facility as may be approved by the Federal Housing Administration.

ARTICLE X - SEAL: The Association shall have a corporate seal consisting of a circle and having on its circumference and face the words, "MONTEVIDEO IMPROVEMENT ASSOCIATION NO. 1, Incorporated July 8, 1965, California".

ARTICLE XI - AMENDMENTS: These By-Laws may be altered or amended at any meeting of the membership by a vote or written assent of seventy-five percent (75%) of the members of the corporation entitled to vote, provided, however, that notice shall have been given to the membership at least ten (10) days in advance of such meeting of the general nature of the proposed amendments to the By-Laws, and provided that any proposed amendment to these By-Laws shall be first submitted to the Federal Housing Administration for its advice and consent. Such submission shall be made not later than thirty (30) days prior to said meeting. Upon adoption, an amendment or new by-law shall be copied in the records of the Association, and if any by-law is repealed, the fact of such repeal shall be stated in the records, together with certification by the Secretary of the corporation of the adoption or repeal and the date thereof.

**MAJOR COMPONENTS ATTRIBUTABLE TO AREAS
FOR WHICH ASSOCIATION IS OBLIGATED**

Description	Date Acquired	Depreciable Life	Estimated Remaining Life
Land	1966		
Buildings	1966	30 yrs.	12 yrs.
Landscaping and Improvements	VAR	10 yrs.	VAR
Pool Equipment	VAR	VAR	VAR
Other Equipment	VAR	VAR	VAR
Parking Lot	1966	30 yrs.	12 yrs.
Sauna Baths	1966	30 yrs.	12 yrs.

FUNDING FOR FUTURE REPAIR, REPLACEMENT, OR ADDITIONS

The Association maintains cash reserves for repairs, replacements, or additions which are derived from homeowners' dues. Funding is authorized by and subject to the Association's Articles, Bylaws and Declarations of Restrictions.

Additional funding is available through the Association's power to impose special assessments for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a capital improvement. Any special assessment requires the consent of two-thirds (2/3) of the votes of the members at a meeting called for this purpose.

**ESTABLISHMENT OF RESERVES FOR FUTURE REPAIR,
REPLACEMENTS OR ADDITIONS**

Pursuant to the Association's By-laws and Declarations of Restrictions, annual and special assessments are charged to members by the Association for the purpose of promoting the recreation, health, safety and welfare of members and for the improvement and maintenance of the properties, services, and facilities. The procedures used to calculate and determine the assessments are specifically set forth in Sections 3 and 4 of the Declaration of Restrictions.

**ASSOCIATION POLICIES AND PRACTICES RE: ENFORCEMENT OF
REMEDIES AGAINST MEMBERS FOR DEFAULT IN PAYMENT OF ASSESSMENTS**

Assessments which are not paid when due are considered delinquent, and bear interest at the rate of 7% per year as set forth in detail in Section 7 of the Declaration of Restrictions.

Delinquent accounts are brought to the attention of the Association by the billing service, ASI. A notice of delinquency and demand for payment is mailed to the homeowner. If the account remains outstanding after the date specified in the notice, it is referred to the Association's lien and foreclosure service for further collection procedures and/or court action consistent with California law.