

BYLAWS  
OF  
URBAN SOIL/TIERRA URBANA  
a California limited equity housing cooperative

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## Article 1 NAME AND PURPOSE

1.1 Name. The name of the cooperative corporation is Urban Soil/Tierra Urbana, a California limited equity housing cooperative, (sometimes referred to herein as the “Cooperative”).

1.2 Principal Office. The principal office of the Cooperative is located at 117 Bimini Place, Los Angeles, California, 90004. The Board is granted full power and authority to change the principal office from one location to another within one mile of the initial location in Los Angeles County.

1.3 Purpose. The Cooperative is organized under the Nonprofit Public Benefit Corporation Law for public purposes as a limited equity cooperative pursuant to California Civil Code §817. The purpose of the Cooperative shall be to provide affordable housing and related facilities to low-income members of the community and a limited number of moderate income persons on a nonprofit limited equity basis consistent with the provisions set forth in its Articles and these Bylaws.

Notwithstanding this specific purpose, the Cooperative may engage in any other business or activity for which a corporation may be lawfully organized under the General Nonprofit Corporation Law, and which is not inconsistent with the Articles or applicable provisions of the Civil or Business and Professions Code.

1.4 [Intentionally omitted]

1.5 Mission. The mission of the Cooperative is to provide permanently affordable housing in Los Angeles to sustain a diverse community whose members join together to create a higher quality of life while minimizing negative environmental impacts.

1.6 [Intentionally omitted]

## Article 2 DEFINITIONS

2.1 “Arbitration” shall mean an out-of-court procedure for resolving disputes in which one or more people hear evidence and make a decision.

2.2 “Articles” shall mean and refer to the Articles of Incorporation of the Cooperative, as amended from time to time.

2.3 “Assessment” shall mean a charge levied by the Cooperative against an Owner Member and his or her Membership Interest in accordance with the provisions of these Bylaws. The specific types of Assessments are defined as follows:

- (a) “Annual Assessment” shall mean a charge levied against an Owner Member and his or her Membership Interest and Proprietary Lease for such Owner Member’s proportionate share of the Cooperative’s annual costs of maintaining, improving, repairing and managing the Project and all other Common Expenses, which are to be paid by each Owner Member to the Cooperative in the manner and proportions provided herein.

- (b) “Reimbursement Assessment” shall mean a charge levied against a particular Owner Member and his or her Membership Interest and Proprietary Lease, directly attributable to, or reimbursable by, the Owner Member, equal to the cost incurred by the Cooperative for corrective action performed pursuant to the provisions of the Governing Documents, or a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Reimbursement Assessments as provided for in the Governing Documents. Reimbursement Assessments shall not include any late payment penalties, interest charges or costs incurred by the Cooperative (including attorney’s fees) in the collection of Annual or Special Assessments.
- (c) “Special Assessment” shall mean a charge levied against an Owner Member and his or her Proprietary Lease and appurtenant Membership Interest for other purposes as provided in Section 5.10.

2.4 “Board” shall mean the Board of Directors of the Cooperative.

2.5 “Board Meeting” shall mean a meeting of the Directors as set forth in Section e.

2.6 “Certificate” shall mean a Certificate of Ownership issued by the Cooperative to one or more Owner Members and registered in the books and records of the Cooperative, which represents a Membership Interest in the Cooperative as an Owner Member and the right of occupancy to a particular Unit appurtenant to such Membership Interest. Each Certificate, and the Membership Interest represented thereby, is appurtenant to the Proprietary Lease of a particular Unit in the Project, and the appurtenant Membership Interest and Proprietary Lease shall not be separately transferred, assigned or conveyed. The sequential numbers of the originally issued Certificates, together with the locations of the numbered Units to which such Certificates and the Membership Interest represented thereby shall be appurtenant, are set forth on the Plan.

2.7 “Common Area” shall mean the entire Project except the Units.

2.8 “Consensus” shall mean a decision reached by the Board or the Members as applicable using the Consensus Decision-Making Process.

2.9 “Consensus Decision-Making Process” shall mean a process of making decisions, wherein the following steps are taken:

- (a) Presentation of a Proposed Decision/Action (10-minute time limit)
- (b) Questions Regarding, and Clarification of, the Proposed Decision/Action (10-minute time limit)
- (c) General Discussion of the Proposed Decision/Action (30-minute time limit)
- (d) Go Around - Each Member Has 5 Minutes (maximum) to Express Their Views
- (e) Straw Poll on the Proposed Decision/Action (10-minute time limit)

- (f) Stand-Asides and Blocks - Each Member Who has Indicated That They Would Stand-Aside or Block the Proposed Decision/Action Has 5 Minutes (maximum) to Express Their Views
- (g) General Discussion of the Proposed Decision/Action as Modified in Light of Views Expressed (30-minute time limit)
- (h) Determine Whether Consensus Has Been Reached on the Proposed Action (as Modified) (10-minute time limit)
- (i) WITH RESPECT TO A PROPOSED DECISION/ACTION BY THE DIRECTORS, in the event that Consensus is not reached, an action may be taken by the affirmative vote of 75% of the Directors present and voting; provided that the decision to vote is made upon the motion of a Director seconded by two other Directors.
- (j) For purposes of this definition of Consensus Decision-Making Process, the following definitions shall apply:
  - (i) “Block(s)” shall mean a situation in the Consensus Decision-Making Process in which: (i) a Member objects to a proposed decision/action because the Member believes, in good faith, that the decision/action is in conflict with the Cooperative’s mission, values or policies; and (ii) another Member acknowledges, in good faith that the objecting Member’s objection is based on the Cooperative’s mission, values or policies.
  - (ii) “Stand Aside(s)” may be registered by a Member who has a serious personal disagreement, or otherwise is not registering a Block, but does not directly support a proposed decision/action.
  - (iii) “Support” shall mean a term used in the Consensus Decision-Making process for those who agree with and support a proposed decision.
  - (iv) “Facilitator” shall mean a person designated by the Owner Members or the Members to facilitate a meeting of the Owner Members or the Members, respectively. The facilitator helps a group of people understand their common objectives and assists them to achieve them without taking a particular position in the discussion. The Facilitator uses tools to assist the group to address any disagreements that preexist or emerge in the meeting.
  - (v) “Note-Taker” shall mean a person designated by the Owner Members or the Members, as the case may be, to document the decisions, discussion and action points of a meeting of the Owner Members or the Members, respectively.

2.10 “Cooperative Rules” shall have the meaning set forth in Section b.

2.11 “Director” shall have the meaning set forth in Section 3.3.

2.12 [Deleted]

2.13 “Expulsion Decision” shall mean a decision made by the Owner Members, to involuntarily terminate the status of Member or the status and residency of a Member.

2.14 “Household” shall mean one or more natural persons each related to the other by blood, marriage or adoption, or one or more natural persons not all so related, who maintain a common household in a Unit.

2.15 “Governing Documents” shall mean these Bylaws, the Articles and the Cooperative Rules.

2.16 “Ground Lease” shall mean that Ground Lease dated June 8, 2012, between the Cooperative as lessee and the Sponsor as lessors attached as Exhibit A hereto.

2.17 “Improvements” shall mean all structures and appurtenances thereto of every type and kind, including but not limited to the building housing the Units, walkways, parking areas, fences, retaining walls, stairs and landscaping.

2.18 “Leave of Absence” shall mean a period of time that a Member is to be away from the Project, while maintaining the status of Member. This term is in contrast to normal periods away from the Project of two months or less, such as vacations. Generally such an arrangement has a predefined termination at a particular date or after a certain event has occurred.

2.19 “Maintenance Fund” shall have the meaning set forth in Section 5.5.

2.20 “Major Decision” shall mean a decision to approve admission of a new Owner Member, amend the Articles or Bylaws or dissolve the Cooperative, which decision shall be made in accordance with the provisions of Section iv.

2.21 “Member Guest” shall have the meaning set forth in Section b.

2.22 “Members” shall mean any Owner Member, Renter Member or Provisional Renter Member of the Cooperative.

2.23 “Membership Interest” shall mean the ownership interest in the Cooperative represented by the Certificate. Each Membership Interest, the appurtenant Proprietary Lease and the appurtenant Certificate, shall not be separately transferred, assigned or conveyed.

2.24 “Notice and Hearing” shall mean written notice of and a hearing before the Board, at which the Member concerned shall have an opportunity to be heard in the manner further provided in these Bylaws in 6.

2.25 “Occupancy Agreement” shall mean the agreement entered into between the Cooperative and its Renter Members in substantially the form attached as Exhibit B hereto.

2.26 “Occupancy Plan” shall mean the document substantially in the form attached as Exhibit C hereto, which outlines certain parameters of the formation of the Cooperative and the restrictions on income for Members.

2.27 “Operating Fund” shall have the meaning set forth in Section 5.5.

2.28 “Owner Member” shall mean a person who:

- (a) has been living at the Project for at least 18 months;
- (b) has been accepted as an Owner Member of the Cooperative;
- (c) has signed a valid Proprietary Lease and is upholding the terms of that agreement;
- (d) has not been expelled or voluntarily terminated their Membership Interest in the Cooperative;
- (e) has made a Share Payment to the Cooperative,
- (f) is currently residing at the Project.

Owner Members are entrusted with and responsible for the long-term welfare of the Cooperative. Owner Members may serve on the board of directors, are entitled to full participation, and share legal authority and responsibility for making decisions on behalf of the Cooperative, including the right to Block Consensus on a decision.

2.29 “Plan” shall mean the drawings and related materials showing the relative locations of the Units, the boundaries and relative dimensions of the Units and such other information reasonably necessary to identify a Unit. The Plan shall be substantially in the form attached as Exhibit D hereto.

2.30 “Project” shall mean the Property and all the improvements on the Property.

2.31 “Property” shall mean that parcel of real property described in Exhibit E hereto.

2.32 “Proprietary Lease” shall mean the Proprietary Lease entered into between the Cooperative and each of its Owner Members and entitling each Owner Member to the exclusive use and occupancy for residential purposes of the Unit appurtenant to his or her respective Membership; together with the non-exclusive use and enjoyment of the Common Area. Each Owner Member shall be entitled to the Proprietary Lease of the Unit. The Proprietary Lease, including the recordable Assignment of Proprietary Lease, shall be substantially in the form attached as Exhibit F hereto.

2.33 “Provisional Renter Member” shall mean a person who:

- (a) has been accepted as a Provisional Renter Member of the Cooperative;
- (b) has signed a valid Occupancy Agreement and is upholding the terms of that agreement;
- (c) has not been expelled or voluntarily terminated their residency;
- (d) has paid fees as required by the Occupancy Agreement; and
- (e) is currently residing at the Project.

2.34 “Renter Member” shall mean a person who:

- (a) has been living at the Project for at least six (6) months;
- (b) has been accepted as a Renter Member of the Cooperative;
- (c) has signed a valid Occupancy Agreement and is upholding the terms of that agreement;
- (d) has not been expelled or voluntarily terminated their residency;
- (e) has paid fees as required by the Occupancy Agreement; and
- (f) is currently residing at the Project.

2.35 “Reserve Fund” shall have the meaning set forth in Section 5.5.

2.36 “Reserve Fund Requirements” shall mean estimated funds that the Board has determined are required to be available at a specific time to adequately fund the Reserve Fund.

2.37 “Share Payment” shall mean the amount a Member is required to pay to the Cooperative to become an Owner Member.

2.38 “Special Meeting” shall mean any meeting that does not take place at the usual time, with less than four (4) days’ notice.

2.39 “Sponsor” shall mean the Beverly-Vermont Community Land Trust.

2.40 “Transfer Value” shall have the meaning set forth in Section 4.8.

2.41 “Unit” shall mean a residential dwelling space within the Project intended for occupancy, as shown on the Plan.

2.42 “Unit Improvement” shall mean a change or addition that adds value to a Unit for the purpose of calculating Transfer Value.

2.43 “Urban Soil/Tierra Urbana Property” shall mean any land, buildings, or personal property and fixtures that are owned, rented or leased by the Cooperative.

### Article 3 GOVERNANCE

3.1 Principle. The basic value underlying the governance of the Cooperative is the right and responsibility of Members to participate in the decision-making processes of the Cooperative.

3.2 Governing Bodies. The Cooperative shall be governed by the Board and the Members as set forth in this Section 3.

3.3 Board. The Cooperative shall have not be less than three (3) nor more than fifty (50) directors who shall be known as the Board of Directors. The exact number of directors shall be

fixed from time to time by a resolution of the Board of Directors. The Board shall be elected by the Member Owners annually by secret ballot in compliance with the procedures stated in California Civil Code Section 1363.03, as said section may be amended.

- (a) Powers. The Board shall have the power to: (i) approve the admission of new Owner Members; (ii) acquire and dispose of Cooperative assets; (iii) approve Leaves of Absence for Members; (iv) expel Members in accordance with the provisions of these Bylaws; (v) dissolve the Cooperative; (vi) amend any Governing Document; (vii) appoint, supervise and remove officers, agents and employees of the Cooperative; and (viii) exercise all the powers conferred on the Cooperative as set forth in the Governing Documents that are not in violation of law.
- (b) Cooperative Rules. The Board shall have the power, from time to time, and, subject to the provisions of these Bylaws and the Articles, to adopt, amend and repeal rules, regulations and policies governing operation of the Cooperative (the “Cooperative Rules”). The Cooperative Rules may include the establishment of a system of monetary penalties for the failure to comply with the provisions of any of the Governing Documents by (i) a Member, (ii) the Household of such Member or (iii) an occupant of such Member’s Unit (clauses (ii) and (iii) together, a “Member Guest.” The Cooperative Rules shall not be inconsistent with the provisions of these Bylaws or the Articles. No Cooperative Rule may be adopted that discriminates among Owner Members or among Renter Members, or that materially affects the rights, preferences or privileges of any particular Member. In the event of a breach or threatened breach of any provision of the Governing Documents (including without limitation the Cooperative Rules) by any Member or Member Guest, the Board may impose financial penalties on such Member as provided herein, and/or may either temporarily suspend the voting rights of such Member (including voting rights of a Director if such Member is an Owner Member) or expel such Member per Section 4.10(b). The imposition of any financial penalties or suspension of voting rights for the violation of a Cooperative Rule must conform to the Notice and Hearing requirements set forth in 6. Any amendment to the Cooperative Rules shall be effective 30 days from the date of adoption thereof, or at such later date as the Board may designate at the time of adoption of such amendment. A copy of any amendment to the Cooperative Rules shall be delivered to each Member either electronically, in person, or by mail, with postage prepaid, at least 10 days before the effective date of such Cooperative Rule.
- (c) Officers. The Board shall appoint the following four (4) Officers: a President, a Vice President, a Secretary and a Treasurer. Additional offices may be created as determined by the Board. All Officers must be appointed from the Owner Members. Officers will serve at the pleasure of the Board and may be removed with or without cause. An Officer may not Block in a Consensus Decision-Making Process with respect to his/her removal.
- (d) Decision-Making Process. The Board shall take all actions on behalf of the Cooperative by Consensus using the Consensus Decision-Making Process, it being understood that the Directors may resolve by Consensus to use another method of decision-making for a specific decision or class of decisions.

(e) Board Meetings.

- (i) Regular Meeting. Regular Board Meetings shall be held at least quarterly at such time and place as may be fixed by resolution of the Board. If the business to be transacted by the Board requires monthly meetings, regular meetings may be held monthly. Notice of the time and place of any regular meeting shall be posted at a prominent place within the Common Area and shall be given electronically to each Director not less than four (4) days prior to the meeting. Notice need not be given to any Director who signs a waiver of notice or consents in writing to allow the meeting to take place. If the Common Area is insufficient 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.
- (ii) Special Meeting. In an urgent situation, two (2) or more Directors may call a special Board Meeting without providing notice as required for regular meetings. Notice for special Board Meetings must (A) be in writing, (B) include the purpose for which such meeting is called, (C) be posted in the Common Area, (D) be distributed to each Director's Unit and (E) be distributed electronically to those Directors who have provided the Cooperative with email addresses. In addition, the Directors calling such special Board Meeting must use reasonable efforts to provide oral notice of such special Board Meeting to each Director.
- (iii) Minutes. Minutes will be taken at all Board Meetings by the designated Note-Taker. The minutes will include, at a minimum, the date, names of those present, and a record of all decisions reached. Minutes will be made available electronically for examination by any Member at any time, except those minutes that may be designated by the Board as confidential and sensitive. The Board shall maintain a complete written record of all of its final decisions and actions, and shall present a complete summary of the actions taken during the preceding 12 months at each annual meeting of the Owner Members.
- (iv) Quorum. For a regular Board Meeting to convene, at least 50% of the Board members plus one (1) must be in attendance. For a special Board Meeting to convene, at least 33% of the Board members plus one (1) must be in attendance. For a Board Meeting to convene where a Major Decision will take place, at least 75% of the Board members must be present. For the purposes of establishing quorum, attendance by proxy is not allowed.
- (v) Attendance Rights and Requirements. Officers must attend all Board Meetings or designate a representative in advance from among the Board members to attend on their behalf. Any Board member who will not be in attendance may submit written comments to the designated Facilitator in advance which written comments will be read at the meeting, provided that any writing so submitted must be signed and dated by such Board member. Those Board members in attendance shall consider such comments but shall not be bound by them. This method of submitting written comments to the designated Facilitator may not be used to Block.

- (f) Standard of Care. Each Director shall perform his or her duties in good faith, in a manner which such Director believes is in the best interest of the Cooperative, and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.

### 3.4 Members.

- (a) Powers. The Members shall have the power to:
  - (i) approve new Provisional Renter Members;
  - (ii) approve new Renter Members;
  - (iii) approve the rental of Units owned by the Cooperative;
  - (iv) approve uses of the Common Areas; and
  - (v) adopt and amend policies and procedures relating to volunteer tasks and other matters pertaining to the day-to-day operations of the Cooperative.
- (b) Decision-Making Process. The Members shall use the Consensus Decision-Making Process for all decisions unless the Members resolve by Consensus to use another method for a specific decision or class of decisions.
- (c) Meetings.
  - (i) Regular Meeting. Regular meetings of the Members shall be held at least monthly at such time and place as may be fixed by the Members. If the business to be transacted by the Members requires weekly meetings, regular meetings may be held weekly. Notice of the time and place of any regular meeting shall be posted at a prominent place within the Common Area, and shall be given electronically to each Member not less than four (4) days prior to the meeting. Notice need not be given to any Member who signs a waiver of notice or consents in writing to allow the meeting to take place. If the Common Area is insufficient for posting of such notice, Members shall communicate the notice of the time and place of such meeting by any means they deem appropriate.
  - (ii) Special Meeting. In an urgent situation, two (2) or more Members may call a special meeting without notice as required for regular meetings. Notice for special Member meetings must (A) be in writing, (B) include the purpose for which the meeting is called, (C) be posted in the Common Area, (D) be distributed to Members' Units, and (E) be distributed electronically to those Members who have provided the Cooperative with email addresses. In addition, the Members calling such special meeting shall use reasonable efforts to provide oral notice of such special meeting to the Members.
  - (iii) Annual Meeting of Owner Members. The annual meeting of Owner Members shall be held each year on a date and at a time designated by the Board.

- (iv) Minutes. Minutes will be taken at all Member meetings by the designated Note-Taker. The minutes will include, at a minimum, the date, names of those present, and a record of all final decisions reached. Minutes will be made available electronically for examination by any Member at any time. The Cooperative shall maintain a complete written record of all decisions and actions taken by the Members.
- (v) Quorum. For a regular meeting of the Members to convene, at least 50% of the Members plus one (1) must be in attendance. For a special Member meeting to convene, at least 33% of the Members plus one (1) must be in attendance. For the purposes of establishing quorum, attendance by proxy is not allowed.
- (vi) Attendance Rights and Requirements. Any Member who will not be in attendance may submit written comments to the designated Facilitator in advance which written comments will be read at the meeting, provided that any writing so submitted must be signed and dated by such Member. Those Members in attendance shall consider such comments but shall not be bound by them. This method of submitting written comments to the designated Facilitator may not be used to Block.

3.5 Indemnification. The Cooperative shall indemnify to the fullest extent permitted under law any person who has been made, or is threatened to be made, a party to legal action, whether civil, criminal, administrative, investigative, or otherwise (excluding an action by the Cooperative) because that person is or was an Owner Member, Renter Member, or officer of the Cooperative, serves, or has served at the request of the Cooperative as a fiduciary of an employee benefit plan, partnership, joint venture, trust or other enterprise. The right to and amount of indemnification shall be determined in accordance with the provisions of applicable law in effect at the time of determination.

3.6 Resolution of Conflicts Between Documents. If there are any matters of conflict or inconsistencies between the Cooperative Rules and the Articles or between the Bylaws and the Articles, then the provisions of the Articles shall prevail. If there are any matters of conflict or inconsistencies between the Cooperative Rules and these Bylaws, then the provisions of these Bylaws shall prevail.

#### Article 4 MEMBERSHIP & RESIDENCY

4.1 Member Acceptance. Acceptance as a Member will be determined by Consensus of the Members.

4.2 Owner Acceptance. Acceptance as an Owner Member will be made by Consensus of the Board in accordance with the requirements for Major Decisions. A person must be a Renter Member for at least 12 months prior to becoming an Owner Member.

4.3 Membership Fees. An initial nominal membership fee shall be assessed of each new Member. This fee is non-refundable. Owner Members shall be required to make a Share Payment prior to admission as an Owner Member.

4.4 Notification Regarding Governing Documents. As more particularly provided for in California Civil Code §1368, as soon as reasonably practicable before transfer of any Proprietary Lease the Board shall ensure that a prospective purchaser receives:

- (a) a current copy of the Governing Documents;
- (b) a copy of the Cooperative's most current financial statement;
- (c) a written statement from the Cooperative as to the amount of the current Annual and Special Assessments and fees levied upon the Proprietary Lease being sold or transferred;
- (d) a true statement in writing as to the amount of any delinquent Assessments, together with information relating to late charges, attorneys' fees, interest, and reasonable costs of collection which, as of the date the statement is issued, are or may become a lien on the Proprietary Lease being sold; and
- (e) a true statement in writing if there is any change in the Cooperative's current Annual and Special Assessments and fees that have been approved by the Board, but have not become due and payable as of the date of disclosure.

4.5 Certificates of Ownership. Each Certificate shall state that the Cooperative is organized under the Public Benefit Corporation Law of the State of California as a limited equity housing cooperative in accordance with the provisions of California Civil Code Section 817 and shall include the name of the registered Owner Members of the Membership Interest represented thereby, the Cooperative lien rights as against such Membership Interest as set forth herein, and the preferences and restrictions applicable thereto, and shall be in such form as shall be approved by the Board. Certificates shall be consecutively numbered, bound in one or more books, and shall be issued there from upon certification by the Cooperative's treasurer that the Share Payment has been paid and the other conditions to admission as an Owner Member have been fulfilled. Every Certificate shall be signed by the president and the secretary.

4.6 Lost Certificates. Any Owner Member claiming that his or her Certificate has been lost, stolen, destroyed, or mutilated shall (a) make an affidavit of that fact, and (b) request the Board to declare the old Certificate null and void and to reissue the Certificate.

4.7 Transfer of Share Ownership. Except as provided herein, a Membership Interest shall not be transferable. In all transfers of Membership Interests, the Cooperative shall be entitled to a fee it deems appropriate to compensate it for processing the transfer. Transfers of Membership Interest may occur by:

- (a) Death of an Owner Member. Any surviving joint tenants shall, if they are approved as Owner Members, succeed to the deceased Owner Member's interest and have the right to occupy the Unit, vote, and participate in all Cooperative affairs once a new Proprietary Lease has been signed. If there is no surviving joint tenant, the Cooperative shall, within 30 days, arrange for the re-purchase, or purchase by a third party, of the Membership Interest and set aside an amount equal to the Transfer Value for the deceased member's Membership Interest within a reasonable time.

- (b) Option of Cooperative to Purchase. If any Owner Member desires to sell or otherwise transfer his or her Membership Interest, he or she shall notify the Cooperative in writing at least 90 days prior to the date upon which he or she intends to sell or otherwise transfer the Membership Interest. The Cooperative shall have an option for a period of 45 days to notify the withdrawing Owner Member that the Cooperative has elected to purchase the Membership Interest, at an amount to be determined by the Cooperative as representing the Transfer Value of the Membership Interest less any amounts due by the Member in accordance with Section c. The purchase by the Cooperative of the Membership Interest will immediately terminate the Owner Member's rights and liabilities as a Member. If the Cooperative has not exercised its option to purchase within such 45 day period, or has waived in writing its right to purchase, the Owner Member may sell his or her Membership Interest for an amount no greater than that determined in accordance with Section 4.8 to any Member who has been approved by the Board for admission to the Cooperative as an Owner Member.
- (c) Deductions from Transfer Amount of Membership. Whenever a transfer occurs, the Cooperative should have the right to withhold from the Transfer Value of the withdrawing Owner Member any and all amounts due by the Owner Member to the Cooperative under the Proprietary Lease and the Governing Documents and an amount sufficient to cover the cost, or estimated cost, of all repairs and replacements as are deemed necessary by the Cooperative to place the relevant Unit in suitable condition for another occupancy.

4.8 Transfer Value. For purposes of these Bylaws, the term "Transfer Value" shall mean an amount equal to the sum of the following:

- (a) The Member's equity, which consists of the sum of such Member's Share Payment plus interest accruing at an annual rate equal to the published simple interest rate established by the Los Angeles Rent Adjustment Commission for interest earned on security deposits pursuant to the Rent Stabilization Ordinance, Section 151.06.02 (G), or its successor, for each year, provided, however, that the interest shall not exceed 10% (or such other maximum interest rate as permitted under Section 817 of the California Civil Code or any other successor provision). ; and
- (b) The value, as determined by the Board of any Unit Improvement installed at the expense of the Owner Member with the prior approval of the Board, under a valuation formula as established by the Board.

4.9 Approval Required. Except as otherwise provided in the Governing Documents, all decisions and actions requiring the approval of Members shall be deemed approved if, in accordance with these Bylaws, the Members assent to such decision or action by written consent, or if such decision or action is approved at any regularly scheduled or duly called special meeting at which a quorum is present.

#### 4.10 Termination.

- (a) Voluntary. If a Member wishes to voluntarily terminate her/his member status or member status and residency, she/he must give written notice to the Cooperative as required by the Proprietary Lease or Operating Agreement.
- (b) Expulsion. An Owner Member or Renter Member may be expelled by an Expulsion Decision. The person whose expulsion is being considered is excluded from the meeting unless there is consensus by the other attendees for that person to be present. Expulsion may occur for lack of payment of rent or assessments, acts of violence, and/or other violations of the Governing Documents. See also Section 6.3 for Suspension of Privileges.

4.11 Leave of Absence. Members may propose to take a Leave of Absence, which proposal may be granted by a decision of the Board. During the Leave of Absence the Member may not Block Consensus and will not be counted as a Member for purposes of establishing quorum. At the end of the Leave of Absence, the individual may resume his or her status as determined by the policies of the Board.

### Article 5 RIGHTS, RESPONSIBILITIES AND ASSESSMENTS

5.1 Provisions. The operation of the Cooperative will include the provision of housing to the Members in exchange for the regular payment of fees and an equitable share of the duties and responsibilities necessary for sustaining buildings and grounds as detailed in the Operating Agreement and the Proprietary Lease.

5.2 Residency Responsibilities. It is the responsibility of Members to provide input to policies and procedures that further the goals of the Cooperative and to abide by such policies and procedures.

5.3 Personal Obligation of Assessments. Each Owner Member, by acceptance of a Proprietary Lease to a Unit and the appurtenant Membership Interest, is deemed to covenant and agree to pay to the Cooperative all Annual Assessments for Common Expenses and all applicable Special Assessments and Reimbursement Assessments. The payment of all such Assessments, together with interest, costs and reasonable attorneys' fees, shall be a separate, distinct and personal obligation of the Owner Member of such Proprietary Lease and appurtenant Membership Interest at the time when the Assessments fell due, and shall bind his or her heirs, personal representatives, successors and assigns.

Upon any voluntary or involuntary conveyance of a Proprietary Lease and the appurtenant Membership Interest and Certificate, the personal obligation for delinquent Assessments shall not pass to the new Owner Member ("Purchaser") unless expressly assumed by the Purchaser. Any Purchaser shall be entitled to a statement from the Board setting forth the amount of the unpaid Assessments against the previous Owner Member ("Seller") due to the Cooperative. Neither the lease assigned to the Purchaser, nor the Purchaser's appurtenant Membership Interest and Certificate shall be liable for any unpaid Assessments levied by the Board against the Seller in excess of the amount set forth in the statement; provided, however, that the Purchaser shall be liable for any such Assessment becoming due after the date of any such statement.

5.4 Maintenance of Utility Systems. The Cooperative shall be solely responsible to maintain in good condition, repair and replace any of the utility systems serving the Project. The Cooperative shall perform such maintenance and make such repairs and replacements to the utility systems that the Cooperative is responsible to maintain, repair and replace as may be necessary or desirable from time to time for the benefit of the Cooperative.

5.5 Maintenance Funds of the Cooperative. The Board shall establish no fewer than two (2) separate accounts (the "Maintenance Funds"), into which shall be deposited all monies paid to the Cooperative, and from which disbursements shall be made, as provided herein, in the performance of functions by the Cooperative under the Articles and these Bylaws. Each of the Maintenance Funds shall be established as trust savings or trust checking accounts at a credit union or other reputable financial institution. The Maintenance Funds shall include:

- (a) an operating fund for current Common Expenses of the Cooperative (the "Operating Fund"), and
- (b) a reserve fund for capital improvements, replacements, painting and current and future repairs, replacement and improvement of major components of the Project (which is not normally expected to occur more frequently than on an annual basis) (the "Reserve Fund"), and
- (c) any other funds which the Board may establish to the extent necessary under the provisions of the Governing Documents. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Cooperative, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by the Governing Documents.

5.6 Purpose of Assessments. The Assessments levied by the Board on behalf of the Cooperative shall be used exclusively to further the purpose of the Cooperative as defined in Section 1.3 and as authorized by these Bylaws, as amended from time to time. Disbursements from the Operating Fund shall be made by the Board for such purposes as may be necessary for the discharge of its responsibilities herein for the common benefit of all current and future Members, other than those purposes for which disbursements from the Reserve Fund are to be used.

5.7 Reserve Funds. The withdrawal of money from the Reserve Fund shall require

- (a) a duly executed resolution of the Board authorizing the withdrawal from the Reserve Fund, and
- (b) the signatures of at least two (2) persons at least one of which must be a current member of the Board.

Notwithstanding the foregoing, the Board may authorize the temporary transfer of money from a Reserve Fund to the Cooperative's Operating Fund to meet short term cash-flow requirements or other expenses. The transferred funds shall be restored to the Reserve Fund within three (3) years of the date of the initial transfer, provided that the Board, on the making of a finding

supported by documentation that a delay is in the best interest of the Project, may delay the restoration of these funds and in restoring the expended funds to the Reserve Fund, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required. This Special Assessment shall not be subject to the Assessment increase restrictions set forth in Section 5.12 and California Civil Code §1366(b).

At least once every three (3) years, the Board shall cause a study to be conducted of the Reserve Fund Requirements if the current replacement value of the major components that the Cooperative is obligated to repair, replace, restore, or maintain is equal to or greater than 50% of the gross budget of the Cooperative for any fiscal year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Fund Requirements as a result of that review.

The study shall, at a minimum, include: (i) identification of the major components that the Cooperative is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years; (ii) identification of the probable remaining useful life of the components identified in clause (i) as of the date of the study; (iii) an estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in clause (i) during and at the end of their useful life; and (iv) an estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in clause (i) during and at the end of their useful life after subtracting total Reserve Funds as of the date of the study.

5.8 Commencement of Annual Assessment. The Board shall determine the amount of the Annual Assessment using the Consensus Decision-Making Process. The Board shall authorize and levy the amount of the Annual Assessment upon each Lease and the appurtenant Membership Interest and Certificate as provided herein by Consensus. The Initial annual Assessment shall commence as to all Proprietary Leases and the appurtenant Membership Interests and Certificates as of the first day of the calendar month following the first Close of Escrow in the Project.

Written notice of the Annual Assessments shall be sent to every Owner Member subject thereto. The Board shall fix the amount of the Annual Assessments against each Owner Member and his or her respective Membership Interest and Certificate at least 30 days in advance of each Annual Assessment period. Each Annual Assessment shall constitute an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Reserve Fund and the Operating Fund.

Each Owner Member shall pay to the Cooperative his or her Annual Assessment in monthly installments in such amounts as established by the Board. Each Annual Assessment may be paid by the Owner Member to the Cooperative in one check or in separate checks as payments attributable to the deposits under the Operating Fund and the Reserve Fund. If any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the receipt by the Cooperative from that Owner Member shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and last to the Reserve Fund.

5.9 Collection of Annual Assessments. Commencing with the first Close of Escrow for the sale of a Proprietary Lease and its appurtenant Membership Interest and Certificate, the Board shall fix and collect monthly from each member his or her pro rata share of the Annual Assessments. Annual Assessments for fractions of any month involved shall be prorated. At least annually, the Board shall present to the Owner Members a written report reflecting income and expenditures of the Cooperative, as further provided in Section 8.2. The Board may cause such statement to be distributed to all Owner Members in such greater frequency as deemed appropriate by the Board.

From time to time, the Board may determine whether there are any excess funds in the Operating Funds, which excess funds shall be retained by the Cooperative and may be used to reduce the following year's Annual Assessments. Upon dissolution of the Cooperative incident to the abandonment or termination of the Project, any amounts remaining in any of the Maintenance Funds shall be distributed proportionately to the Owner Members.

5.10 Special Assessments. In addition to the Annual Assessment, the Board may, from time to time, levy a Special Assessment against all Proprietary Leases and the appurtenant Membership Interests if the Board determines that the Cooperative's available funds are or will become inadequate to meet the estimated expenses of the Cooperative, including the maintenance of appropriate reserves, for a particular fiscal year for any reason, including, without limitation, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements or otherwise. The Board shall determine the amount necessary to meet the estimated expenses using the Consensus Decision-Making Process, and if the amount is approved by Consensus of the Board, it shall become a Special Assessment. The Board may levy the entire Assessment immediately or levy it in installments over a period it considers appropriate.

5.11 Revised Assessment. If at any time during the course of any year the Board shall deem the amount of an Assessment to be inadequate or over adequate by reason of a revision of its estimate of either expenses or income, or otherwise, the Board may revise the Assessment for the balance of the fiscal year. The Board shall provide notice in person or by first-class mail to the Owner Members of any increase in a Regular or Special Assessment not less than thirty (30) nor more than 60 days prior to the increased Assessment becoming due.

5.12 Restrictions on Regular or Special Assessments. Notwithstanding any other provision in these Bylaws, the Board may not (i) impose an Annual Assessment for any fiscal year which is more than 20% greater than the Annual Assessments of the prior fiscal year and (ii) which in the aggregate exceeds 5% of the budgeted gross expenses of the Cooperative for that fiscal year without the approval of the Owner Members by secret ballot in compliance with the procedures stated in California Civil Code Section 1363.03, as said section may be amended. For purposes of this Section 5.12, a "quorum" means more than 50% of the Owner Members. Any Cooperative meeting to comply with this Section 5.12 shall be conducted in accordance with Chapter 5, commencing with §7510 of Part 3, Division 2 of Title 1, and §7613 of the California Corporations Code.

Notwithstanding the foregoing, the Board, without the approval of the Owner Members, may increase Annual Assessments or levy special Assessments necessary for an emergency situation. For the purposes of this section, an emergency situation is one of the following:

- (a) An extraordinary expense required by order of court;
- (b) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Cooperative is responsible where a threat to personal safety on the Project is discovered;
- (c) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Cooperative is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget; provided, however, that prior to the imposition or collection of any Assessment under this subparagraph, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process and the resolution shall be distributed to the Members with the notice of the Assessment; or
- (d) An extraordinary expense in making the first payment of the earthquake insurance surcharge pursuant to Section 5003 of the Insurance Code. The foregoing restrictions on Assessment increases shall not apply to any Special Assessment levied to restore Reserve Funds in accordance with California Civil Code §1365.5(c).

5.13 Reimbursement Assessments. After compliance with the Notice and Hearing requirements in Section 6.5, the Board may levy a Reimbursement Assessment against any Proprietary Lease and appurtenant Membership Interest and its Owner Member for the purpose of collecting (a) monetary penalties imposed by the Board or Cooperative for violation of the Governing Documents and (b) amounts required to reimburse the Cooperative for costs and expenditures incurred in discharging any Owner Member's obligation with respect to property taxes in accordance with the governing Documents. Notwithstanding anything to the contrary in these Bylaws, a Reimbursement Assessment levied against a Proprietary Lease and appurtenant Membership Interest and its Owner Member may not become a lien against such Proprietary Lease and appurtenant Membership Interest that is enforceable by a power of sale under the California Civil Code. This restriction on enforcement is not applicable to late charges, interest, or collection costs, including reasonable attorneys' fees, assessed in connection with delinquent Annual or Special assessments.

5.14 Delinquency. Any installment of an assessment provided for in these Bylaws shall become delinquent if not paid within five (5) days of the due date as established by the Board. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Special Assessments or Reimbursement Assessments not paid within 30 days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein, shall bear interest commencing 30 days from the due date until paid at the rate of not more than 12% per annum, but in no event more than the maximum rate permitted by law. The Board may also require the delinquent Owner Member to pay a late charge in accordance with California Civil Code §1366(d)(2). The Cooperative need not accept any tender of a partial payment of an installment of an Assessment and all costs and attorneys' fees attributable thereto,

and any acceptance of any such tender shall not be deemed to be a waiver of the Cooperative's right to demand and receive full payments thereafter.

5.15 Creation and Release of Lien. All sums other than Reimbursement Assessments assessed in accordance with the provisions of these Bylaws shall constitute a lien on the respective Owner Member's Proprietary Lease and appurtenant Membership Interest and Certificate prior to and superior to all other liens, except all taxes, bonds, and other levies which, by law, would be superior thereto made in good faith and for value and recorded prior to the date the Assessment lien became effective. The lien shall become effective upon recordation by the Board or its authorized agent of a notice of Assessment ("Notice of Lien") securing the payment of any Annual or Special Assessment or installment thereof, levied by the Cooperative against any Owner Member as provided in California Civil Code §1367. Such Notice of Lien shall state (a) the amount of such delinquent assessment or installment, as the case may be, and other authorized charges and interest, including without limitation the cost of preparing and recording such Notice of Lien, (b) the expenses of collection in connection with any delinquent Assessments, including without limitation reasonable attorneys' fees, (c) a description of the Certificate and Lease against which the same has been assessed, (d) the name of the Owner thereof, (e) the name and address of the Cooperative and (f) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Cooperative to enforce the lien by sale. Such Notice of Lien shall be signed by the president or vice president and the secretary of the Cooperative, and a copy shall be delivered to the delinquent Owner Member. The lien shall relate only to the individual Certificate and Proprietary Lease against which the assessment is levied and not to the Property as a whole. Upon payment to the Cooperative of the full amount claimed in the Notice of Lien, or other satisfaction thereof, the Board shall cause to be prepared and Recorded a Notice of Satisfaction and Release of Lien ("Notice of Release") stating the satisfaction and release of such amount claimed. The Board may demand and receive from the applicable Owner Member a reasonable charge for the preparation of such Notice of Release before recording such Notice of Release.

5.16 Foreclosure Under Assessment Lien. In addition to expelling a Member per Section 4.10(b), the Board may enforce any Assessment lien established under Section 5.15 in any manner permitted by law, including, without limitation, by judicial foreclosure or, if the notice of delinquent Assessment contained the name and address of the trustee authorized by the Cooperative to enforce the lien, by nonjudicial foreclosure. Any nonjudicial foreclosure shall be conducted in accordance with the requirements of Civil Code §§2924, 2924b, 2924c, 2924f, 2924g, 2924h, and 2924j that apply to nonjudicial foreclosures of mortgages or deeds of trust, as the same may be amended from time to time. The sale shall be conducted by the trustee named in the notice of delinquent Assessment or by a trustee substituted in accordance with the provisions of Civil Code §2934a. The Cooperative may bid on the Proprietary Lease and appurtenant Membership Interest at the sale, and may hold, lease, mortgage, or convey the acquired Proprietary Lease and appurtenant Membership Interest. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Cooperative, the Cooperative shall record a Notice of Satisfaction and Release of Lien, and, on receipt of a written request by the delinquent Owner Member, a Notice of Rescission of the declaration of default and demand for sale.

5.17 Priority of Assessment Lien. Sale or transfer of any Proprietary Lease and appurtenant Membership Interest and Certificate shall not affect the lien of the Assessments, including interest and costs of collection (including attorneys' fees).

5.18 Waiver of Homestead Protections. Each Owner Member, to the extent permitted by law, waives the protections of any declared homestead or homestead exemption under the laws of California as applied to any action to enforce the Assessments levied by the Cooperative.

## Article 6 CONFLICT RESOLUTION, NOTICE & HEARING PROCEDURE

6.1 Conflict Resolution. Conflicts that significantly affect the quality of life at Urban Soil/Tierra Urbana are the legitimate concern of any or all of its residents. If the Cooperative has been unable to resolve a conflict for a period of 30 days, the Cooperative will retain a professional facilitator or mediator to assist in conflict resolution unless there is a decision in support of a different solution. Complaints or alleged violations of the Bylaws or the Cooperative Rules will follow the requirements set forth in Section 6.3. If the conflict is still not resolved after that procedure, the parties will use Arbitration unless there is a decision in support of a different solution.

6.2 Mediation. Members will make themselves available for conflict resolution on personal matters between Members at the request of any Member, within two (2) weeks of the request (or within two (2) weeks of returning home, if away at the time of the request).

6.3 Suspension of Privileges. In the event of an alleged violation of these Bylaws or the Cooperative Rules by a Member or Person deriving their rights of use and enjoyment of the Project from such Member, the Board shall using the Consensus Decision-Making Process have the right, upon Consensus of the Board present and voting (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting), to take any one or more of the following actions: (a) levy a Reimbursement Assessment against such offending Owner Member (the "Respondent"), (b) suspend the Respondent's voting privileges as a Member; (c) suspend the Respondent's voting privileges as a director if such Member is also a director; and/or (d) record a Notice of Noncompliance against the Respondent's Proprietary Lease and Unit. Any such suspension shall be for a period of not more than 30 days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any Assessment after the same becomes delinquent) may be imposed for so long as the violation continues. Prior to taking action hereunder, the Board shall deliver (either personally or by first-class mail sent to the Member's last address shown in the records of the Cooperative) written notice of the proposed action to the Member alleged to be in violation and the reasons therefore. Such notice shall specify a date and time for a hearing before the Board at which the Member may be heard orally or in writing. No action against such Member arising from the alleged violation shall take effect prior to the expiration of (x) 15 days after the Member's receipt of the notice required herein and (y) five (5) days after the hearing required herein. The failure of the Board to enforce Cooperative Rules, these Bylaws or the Proprietary Leases shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws, including expulsion per Section 4.10(b), shall be cumulative and none shall be exclusive.

6.4 Written Complaint. A hearing to determine whether a right or privilege of the Respondent under these Bylaws should be suspended or conditioned, or whether a Reimbursement Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any officer or director with the president of the Cooperative or other presiding member of the Board. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the Respondent is charged and a reference to the specific provisions of these Bylaws, the Leases or the Cooperative Rules which the Respondent is alleged to have violated. A copy of the Complaint shall be delivered to the Respondent in accordance with the notice procedures set forth in Section 6.5, together with a statement which shall be substantially in the following form:

“Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board within 15 days after the Complaint was delivered or mailed to you, the Board may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled ‘Notice of Defense’ to the Board at the following address: (the suitable address shall be inserted here). If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board, you may contact (the name of a suitable person shall be inserted here)”

The Respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The Respondent may file a separate statement for the purpose of mitigation, even if he or she does not file a Notice of Defense.

6.5 Notice of Hearing. The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the Respondent. The hearing shall be held no sooner than 30 days after the Complaint is mailed or delivered to the Respondent as provided in Section 6.4. The notice to the Respondent shall be substantially in the following form but may include other information:

“You are hereby notified that a hearing will be held before the Board at \_\_\_\_\_, on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ at the hour of \_\_\_\_\_ upon the charges made in the Complaint served upon you. You may be present at the hearing, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board.”

6.6 Hearing. The hearing shall be held before the Board in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director who mailed or delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The minutes of the meeting shall contain a written statement of the

results of the hearing and the sanction, if any, imposed. No action against the Member arising from the alleged violation shall take effect prior to the expiration of (a) 15 days after the Member's receipt of the notice of hearing, and (b) five (5) days after the hearing required herein.

6.7 Legal Proceedings. The failure of any Member, his or her Household, guests, employees, or invitees to comply with any provision of the Governing Documents shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of lien, unlawful detainer, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision, or any other provision hereof. The Board or any Owner Member (not at the time in default hereunder shall be entitled to bring an action for damages against any defaulting Owner Member, and in addition may enjoin any violation of the Governing Documents. Any judgment rendered in any action or proceeding to enforce the Governing Documents shall include a sum for attorneys' fees in such amount as the court may deem reasonable in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs. Each remedy provided for in the Governing Documents shall be cumulative and not exclusive or exhaustive.

## Article 7 INSURANCE

7.1 Fire and Casualty Insurance. The Cooperative shall obtain and maintain a property insurance policy providing special form perils for all the Improvements within the Project, in an amount equal to the current full replacement cost (without deduction for depreciation) of such Improvements, and exclusive of land, foundations, excavation and other items normally excluded from coverage. Property insurance shall be written for replacement cost valuation. The policy shall name as insured the Cooperative, and the Members, as their respective interests may appear, and may contain a loss payable endorsement in favor of the Insurance Trustee described below.

- (a) Insurance Trustee. If the insurance proceeds payable under this Section 7.1 exceed Fifty Thousand Dollars (\$50,000), then the proceeds shall be paid to and held by the Insurance Trustee in trust for the Cooperative, Owner Members and Renter Members, as their respective interests shall appear.

7.2 Other Insurance. The Cooperative shall also obtain and maintain the following insurance, unless the Board determines otherwise.

- (a) A property insurance policy insuring all equipment and fixtures owned by the Cooperative, unless the Board determines that such insurance is not necessary;
- (b) Commercial general liability insurance insuring the Cooperative (including the Cooperative's employees, manager, officers, directors and agents), the Members, the Sponsor (including the Sponsor's employees, officers, directors and agents) against liability incident to the ownership or use of the Project. Commercial general liability insurance shall not contain a cross-liability exclusion. Such insurance shall provide coverage of not less than One Million Dollars (\$1,000,000) each occurrence and Two Million Dollars (\$2,000,000) annual aggregate covering claims for bodily injury, property damage and personal and advertising injury;

- (c) Worker’s compensation insurance to the extent required by law;
- (d) Fidelity bonds or crime insurance covering officers, directors, Members and employees that have access to any Cooperative funds in amounts customary for a limited equity housing cooperatives operating in California;
- (e) Flood insurance if the Project is located in an area designated by the appropriate governmental agency as a “Special Flood Hazard Area;”
- (f) To the extent available, insurance in an amount not less than One Million Dollars (\$1,000,000) on behalf of any director, officer or member of a committee (collectively, “agents”) of the Cooperative against any liability asserted against or incurred by the agent in such capacity or arising out of the agent’s status as such,
- (g) Earthquake insurance, if obtainable for a cost deemed reasonable by the Board; and
- (h) Such other insurance as the Board in its discretion considers necessary or advisable.

7.3 Requirements. Any insurance maintained by the Cooperative shall contain a “waiver of subrogation” as to the Cooperative (including the Cooperative’s employees, manager, officers, directors and agents), the Members, and the occupants of the Units. The Board shall periodically (and not less than once every three (3) years) review all insurance policies maintained by the Cooperative to determine the adequacy of the coverage and to adjust the policies accordingly.

7.4 Member’s Property Insurance. It shall be the responsibility of each Member to provide insurance on his or her personal property and upon all other property within his or her Unit that is not insured by the Cooperative’s blanket policy. Nothing herein shall preclude any Member from carrying any public liability insurance as he or she may deem desirable to cover his or her individual liability for damage to Persons or property occurring inside his or her individual Unit or elsewhere upon the Project. Such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Cooperative, and, upon request, duplicate copies of such other policies shall be deposited with the Board. If any loss intended to be covered by insurance carried by the Cooperative shall occur and the proceeds payable hereunder shall be reduced by reason of insurance carried by any Member, such Member shall assign the proceeds of such insurance carried by him or her to the Cooperative, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied. All such insurance that is individually carried must contain a waiver of subrogation rights by the insurer as to the Cooperative (including the Cooperative’s employees, manager, officers, directors and agents), the Members and the occupants of the Units.<sup>1</sup>

7.5 Indemnity. To the extent not covered by insurance maintained by the Cooperative or any Member, each Member shall indemnify, protect, defend, and hold harmless the Cooperative (including the Cooperative’s employees, manager, officers, directors and agents), and all other Members from and against all liability, loss, claims and demands of third persons to the extent arising out of the acts or omissions of (a) such Member and the occupants residing in such

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<sup>1</sup> Confirm that a cross reference to this covenant will be in Occupancy Agreement and Proprietary Lease to assure privity of contract.

Member's Unit, and (b) the respective family members, guests, invitees, employees and agents of such Member or Member's occupants. Each Member, by acceptance of his or her Certificate, agrees personally and for Family members, contract purchasers, guests and invitees to indemnify each and every other Member, the Cooperative (including the Cooperative's employees, manager, officers, directors and agents), all other Members and to hold them harmless from, and to defend them against, any claim of any Person for personal injury or property damage occurring within the Unit of that particular Member, except to the extent (x) that such injury or damage is covered by liability insurance in favor of the Cooperative or other Member or (y) the injury or damage occurred by reason of the willful or negligent act or omission of another Member, the Cooperative (including the Cooperative's employees, manager, officers, directors and agents), and all other Members.<sup>2</sup>

7.6 Provision To Adjust Losses. Subject to contrary provisions of the Ground Lease, the Board is appointed attorney-in-fact by each Member to negotiate and agree on the value and extent of any loss under any policy carried by the Cooperative pursuant to this 7. The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

7.7 Notice of Expiration Requirements. If available, all of the policies of insurance maintained by the Cooperative shall contain a provision that said policy or policies shall not be canceled, amended or terminated, or expired by their terms, without ten (10) days' prior written notice to the Board.

## Article 8 FISCAL MANAGEMENT & FINANCES

8.1 Fiscal Year. The fiscal year of the Cooperative shall be a calendar year, except that the first fiscal year of the Cooperative shall begin at the date of incorporation.

8.2 Preparation and Distribution of Financial Statements, Reports, and Copies of Governing Instruments. This Section 8.2 is intended to implement the requirements established by California Civil Code §1365. To the extent that California Civil Code §1365 is amended or replaced, the provisions of this Section 8.2 shall be automatically amended and replaced by the new statutory provisions. The Board shall prepare and distribute to its Owner Members the following financial statements, reports, and copies of the governing instruments as follows:

- (a) A balance sheet rendered as of an accounting date that is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lease ("Accounting Date") and an operating statement for the period commencing with the date of closing of the first sale and ending on the accounting date. The operating statement shall include a schedule of Assessments received or receivable identified by the Unit number and the name of the Owner Member assessed. Copies of the balance sheet and operating statement shall be distributed to each Owner Member within 60 days after the accounting date;

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<sup>2</sup> Confirm that a cross reference to this covenant will be in Occupancy Agreement and Proprietary Lease to assure privity of contract.

- (b) A pro forma operating budget for each fiscal year shall be distributed or made available not less than 45 days before nor more than 60 days before the beginning of the fiscal year consisting of at least the following:
- (i) the estimated revenues and expenses on an accrual basis;
  - (ii) a summary of the Cooperative's reserves based on the most recent reserves review or study conducted under California Civil Code §1365.5, which shall be printed in bold type and shall include the following.
    - (A) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Project that the Cooperative is obligated to maintain (collectively the "Major Components");
    - (B) as of the end of the fiscal year for which the study was prepared: (1) the current estimate of cash reserves necessary to repair, replace, restore or maintain the major components; (2) the current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the major components; and (3) the percentage of the amount in paragraph A that the amount in paragraph B represents;
    - (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 therefore;
    - (D) a general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components the Cooperative is obligated to maintain; and
    - (E) a general statement regarding the Owner Members' right to have copies of the minutes of meetings of the Board and how and when these minutes may be obtained.

Instead of distributing the pro forma operating budget, the Board may elect to distribute a summary of the budget to all of its Owner Members with a written notice that the budget is available electronically and at the business office of the Cooperative or at another suitable location within the boundaries of the Project and that copies will be provided on request at the expense of the Cooperative. The notice must be in at least 10-point bold type and must appear on the front page of the summary of the budget. Any Member who requests a copy of the budget shall be provided a copy by the Cooperative in person, or by first-class mail at the Cooperative's expense within five (5) days of the date the Cooperative receives such request, if they are unable to access the report electronically.

- (c) An annual report consisting of a balance sheet rendered as of the last day of the fiscal year, an operating statement for the fiscal year, and a statement of changes in financial position for the fiscal year. A copy of the annual report shall be distributed to each

Owner Member within 120 days after the close of the fiscal year. If the annual report is not reviewed by an independent accountant, the report shall be accompanied by the certificate of an authorized officer of the Cooperative that the report was prepared from the books and records of the Cooperative without independent audit or review. At least once every five years, the Board shall have a licensed Certified Public Accountant prepare an audit or review of the Cooperative's books according to generally accepted accounting principles. The audit or review shall be distributed to all Owner Members within 30 days of its completion.

- (d) A statement of the Cooperative's policies and practices in enforcing its remedies against Owner Members for delinquent Annual or Special Assessments including the recording and foreclosing of liens against a delinquent Owner Member's Proprietary Lease and appurtenant Membership Interest. A copy of this statement shall be made available and distributed to each Owner Member that has requested a copy within 60 days prior to the beginning of each fiscal year; and
- (e) Copies of the Governing Documents shall be provided to any Member within 10 days of the mailing or delivery of a written or electronic request. These documents may also be made available electronically. The Board may impose a fee to provide these materials not to exceed the Cooperative's reasonable costs in preparing and reproducing the materials.

8.3 Inspection of Cooperative Books and Records. Any Owner Member, or that Member's duly appointed representative, may have access electronically or, after giving reasonable notice to the secretary or to the appropriate custodian, shall have access to the Cooperative's membership register, including mailing addresses and telephone numbers, books of account, and minutes from any meeting of the Members, the Board, or any committee of the Board, in order to inspect and copy such records for any purpose reasonably related to his or her interest as an Owner Member. Access shall be at any reasonable time at the office of the Cooperative or such other place within the Project as the Board prescribes. The Board shall establish rules regarding the notice the Owner Member must give to the custodian of the records to obtain access, the hours and days of the week when the records may be inspected and copied, and the charges imposed by the Cooperative for copying records requested by the Owner Member.

Any member of the Board may at any reasonable time inspect, copy or make extracts of any books, records and documents of the Cooperative and inspect the physical properties owned or controlled by the Cooperative.

8.4 Records Kept at the Cooperative. Commencing as soon as reasonably available, but not later than 30 days after the closing and recording of the sale of the first Proprietary Lease, the following documents shall be maintained at the office of the Cooperative or at such other place within the Project as the Board shall prescribe:

- (a) The recorded Map and the Plan and all amendments thereto, and a copy of the Ground Lease;
- (b) The Cooperative's Bylaws and filed Articles, and all amendments thereto;

- (c) All Cooperative Rules promulgated by the Cooperative, including architectural guidelines;
- (d) Any insurance policy procured by the Cooperative and any lease or contract to which the Cooperative is a party;
- (e) The membership register, including mailing addresses and telephone numbers, books of account and any minutes of meetings of the Members, the Board and any committees of the Board; and
- (f) Any other instrument which establishes or defines the common, mutual and reciprocal rights and responsibilities of the Members as Members of the Cooperative.

8.5 Execution of Cooperative Documents. With the prior authorization of the Board, all notes and contracts, including Leases, shall be executed on behalf of the Cooperative by at least two (2) directors, one (1) of which shall be the president or vice-president.

8.6 Cooperative Equity. Cooperative equity is the excess of taxable, fair market value of the property over the sum of current transfer value of all Membership Interests, reduced by outstanding encumbrances. By a vote of the Board made in accordance with the provisions set forth for Major Decisions, the Cooperative equity may be used for the following purposes only:

- (a) For the benefit of the Cooperative; or/
- (b) For the public's benefit. Such distribution may occur in the event of
  - (i) termination and non-renewal of the Ground Lease;
  - (ii) other reversion of possession of the property leased by the Cooperative;
  - (iii) destruction of the Improvements and a decision not to rebuild; or
  - (iv) dissolution of the Cooperative as a result of condemnation of all or a portion of the Property.

Under no circumstances may the Cooperative equity be assigned to or become a component of Member equity. Upon dissolution all Cooperative equity shall be disbursed in accordance with 9.

8.7 Financial Authority and Responsibilities. The Board has the authority to cause the Cooperative to purchase, own and hold real and personal property and to mortgage this property, to rent property, to borrow money, to execute notes and to undertake other obligations as necessary to accomplish the goals of the Cooperative.

8.8 Dedication of Earnings and Assets. The net earnings, properties, and assets of the Cooperative are dedicated to benefit the Cooperative and its public benefit purposes. Any funds accumulated in excess of budgeted reserves will be used to benefit the Cooperative to expand or improve facilities or services or for other purposes consistent with these Bylaws.

8.9 Financial Contributions and Loans. The Cooperative may receive donations and loans to support its mission, to make improvements to the property, and for other purposes which the Owner Members see fit to accept. In the case of loans, a contract will be drawn up specifying the conditions of each loan, including the term of repayment and interest rate (if any).

8.10 Authorization of Debt and Expense. The Board may authorize individuals to spend money or incur debt on behalf of the Cooperative.

## Article 9 DISSOLUTION

9.1 Dissolution Process. The Board may elect to dissolve the Cooperative in accordance with the provisions set forth for Major Decisions. Prior to, and as a condition of, the effectiveness of such dissolution, the assets of the Cooperative shall be sold or their possession transferred in satisfaction of any indebtedness of the Cooperative.

9.2 Proceeds from any sale of Urban Soil/Tierra Urbana Property shall be disbursed pursuant to the terms of this Section 9.2.

- (a) First, to holders of secured indebtedness of the Cooperative *pro rata* until such indebtedness is satisfied in full;
- (b) Second, to holders of unsecured indebtedness of the Cooperative *pro rata* until such indebtedness is satisfied in full;
- (c) Third, to the Owner Members *pro rata* according to their respective Transfer Values, until each Owner Member has been paid the full Transfer Value associated with his or her Membership Interests; and
- (d) Last, to a non-profit corporation that is organized to promote cooperative living, or another non-profit corporation, as determined by the Board.

## Article 10 AMENDMENTS

10.1 These Bylaws may only be modified by written amendment approved by the Consensus Decision-Making Process at a Board Meeting provided that written notice of such meeting has set forth the proposed amendment or replacement, with appropriate explanations thereof.