

Memorandum

To: Board of Directors
Los Verdes Park Unit One Homeowners' Association Inc.

Re: Duties and Responsibilities of Corporate Directors and Officers

As newly elected directors of our homeowners' Association, you may find the following information helpful. This summary is intended to provide some guidelines for action by directors as well as some insight as to how corporate governance works. You may also find it helpful to review the sections of the Bylaws referred to below.

Our homeowners' association is a nonprofit mutual benefit corporation under the California Corporations Code. Under the corporate form of doing business, our correct corporate name is "Los Verdes Park Unit One Homeowners' Association Inc."

The Board of Directors, elected by the members of the Association, are responsible for setting corporate policy and making decisions on behalf of the corporation. The officers of the corporation are the president, the vice presidents, the secretary and the treasurer, who is sometimes referred to as the chief financial officer. The corporate officers are responsible for carrying out the decisions made by the board. Consequently, each of us have certain responsibilities as directors as well as certain duties as corporate officers.

Our Bylaws, particularly Articles VII, VIII and IX, reflect the requirements and standards for directors as enumerated in the California Corporations Code. The fiduciary standard under which directors must act in making corporate decisions is stated in California Corporations Code Section 309. This section requires directors to perform their duties in good faith, in a manner believed to be in the best interests of the corporation and its members and with such care as an ordinary prudent person in a like position would use under similar circumstances.

California law does not permit directors to delegate their responsibilities nor can individual members of the Board of Directors act alone. A quorum of directors is required to reach valid board decisions. Section 8.6 of the Bylaws defines a quorum as a majority of the number of directors. Accordingly, only those acts taken by a majority of directors present at a duly held meeting at which a majority of directors is present, can be regarded as the acts of the board.

You may also find it helpful to review Article XI of the Bylaws. This section lists the duties of each of the corporate officers. If you have questions, concerning director or officer responsibilities, please don't hesitate to ask.

11.1 Officers of the Corporation. The officers of the Association shall be a President, two Vice Presidents, a Secretary, and a Chief Financial Officer. The Association may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3. One person may hold two or more offices, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as President.

11.2 Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.3 and 11.5, shall be chosen annually by majority vote of the Board at the organizational meeting following the annual meeting of the Members for the election of Directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

11.3 Subordinate Officers. The Board may appoint, and may empower the President to appoint such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the board may from time to time determine.

11.4 Removal of Officers. Any Officer may be removed by the Board with or without cause, at any regular or special meeting.

11.5 Resignation of Officers. Any officer may resign at any time by giving written notice to the Board, or to the President, or to the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective any resignation is without prejudice to the rights, if any, of the Association under any contract to which the Officer is a party.

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

11.7 President. The President shall be elected by the Board from among the Directors. He or she shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and Officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

11.8 Vice Presidents. The Vice Presidents shall be elected by the Board from among the Directors. In the absence or disability of the president, the Vice Presidents, in order of their rank as fixed by the Board shall perform all the duties of the President and when so acting, shall have all powers of, and be subject to all the restrictions on the President. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

11.9 Secretary. The Secretary shall be elected by the Board from among the Directors. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Members present at Members' meetings and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law, and he or she shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

11.10 Chief Financial Officer. The Chief Financial Officer shall be elected by the Board from among the Directors. The Chief Financial Officer, who shall be known as 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 Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any Director or Member. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with

such depositaries as may be designated by the Board. He or she shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.
