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December 13, 2018

Tarzana Plaza Owners

Re: **Proposed Amendment and Restatement of Association CCRs and Bylaws; Notice of Association meeting on January 15, 2019 6-8 pm. At Courtyard By Marriott, 15433 Ventura Boulevard, Sherman Oaks**

Dear Homeowners:

This firm is legal counsel to the Tarzana Plaza Homeowners Association, engaged by the court-appointed receiver, Steve Donell ("Receiver"). For a number of important reasons, the Receiver has engaged this firm to Amend and Restate the Association's Declaration of Covenants, Conditions and Restrictions ("CCRs") and Bylaws. This firm created the First Amended Declaration in 1996, which replaced the original CCRs from 1982.

Enclosed are copies of the proposed amended and restated CCRs and Bylaws for your review and consideration. Ultimately you will be asked to approve or reject these amended versions through a secret ballot election. For the CCRs to be approved requires 67% of the membership to vote in favor. For the Bylaws to be approved requires a simple majority of the membership to vote in favor.

The overriding goal here is to provide the Association with an integrated set of governing documents that is consistent with current law and provides reference to current or future laws so that you and the Board will not have to research California statutory laws which have superseded many provisions of your existing documents. **These proposed documents enhance the rights of the individual members and in no way reduce or eliminate the obligations of the Association.**

Your existing governing documents are out of date and are actually inconsistent with a number of current statutory requirements which have been altered or added since 1996. Since 1996 there have been literally hundreds of changes to the applicable laws governing common interest developments such as yours. In addition, there have been a multitude of appellate court decisions in California that have interpreted these statutes and their application to Associations. **For this Association to operate in full compliance with California law, the Association's governing documents should reflect the current state of California law.**

As a practical matter, the referenced statutory changes were enacted to protect the interests of homeowners by establishing clear requirements and procedures for

annual financial and insurance disclosures, collection procedures, election procedures, open meeting requirements and member's rights to obtain access to Association books and records, among others. In the enclosed documents, all the many statutory changes have been reflected, often by reference to the applicable code section. The applicable case law impacting these laws is also reflected in the proposed documents. If adopted, the CCRs and Bylaws will be fully compliant with current California law and incorporates future changes to the laws without need for further amendment.

Another critical reason for the amendment is to address some of the serious issues confronting the Association, including issues involving rate of assessments, voting procedures, short term leasing of units, owner occupancy of units prospectively, enforcement against renters insuring of property damage and responsibility for reporting water intrusion in units. The Receiver has spent a great deal of time and effort working with me to create provisions that will protect your rights to participate in elections and to enhance the value of your property.

Below is a summary of the major changes/additions to the governing documents.

MAJOR CHANGES/ADDITIONS TO CCR'S

Clarification of Common Area (Exclusive Use) vs. Separate Interest and Repair Responsibility.

One of the significant changes is in defining and explaining what various building components are legally considered "common areas" and "condominium unit." The current CCRs refer the members and board to the "Condominium Plan" for reference to these components. The proposed version in Article I sets forth extensive definitions for both common areas and units based on California law and the provisions of the Condominium Plan which should eliminate confusion concerning whether the Association or the Owner is responsible for maintenance, repair or replacement of a particular item. In addition, a copy of the Condominium Plan will be attached to the CCRs. Additional clarification concerning "exclusive use common areas" is provided.

In Article II, there is an attempt to clearly delineate what repair and maintenance functions are the responsibility of the Association and the Owners and clarifies who is responsible for damage caused by a failure of a particular component. These clear definitions should eliminate confusion and disputes concerning these matters. See Art. II, Section 2.01, 2.02, 2.03, 2.04 and 2.05.

Mandatory Owner Insurance. Section 2.08 mandates that each Owner shall obtain property insurance for the unit and fixtures therein as well as loss assessment coverage. Owners are required to submit proof of insurance on an annual basis. This provision also makes the Owner's coverage primary for damage claims to portions of units for a failure of a Common Area that was not negligent.

Annual Disclosure Obligations. Also due to changes and additions to California law, the provisions in the new CCRs incorporate the current requirements of Association as to annual disclosures as well as the entitlement of members to request and obtain Association records. Section 5.03

Amendment percentage reduced to simple majority from 67%. The current CCRs require that 67% of the members vote to amend the CCRs, which is a very difficult thing to accomplish and potentially gives a small minority of members the ability to block legitimate amendments without legal action. The 67% supermajority requirement also functionally turns a "non-vote" into a no vote, which undermines the vote of those members who actually participate. There is a statutory procedure to seek court approval of amendments which don't achieve the supermajority but do achieve a simple majority. The modern trend is that if the statute will allow a majority vote to support a petition, there is no good reason not to allow a majority vote to permit amendment in the first place. Consequently, the amendment provides for a simple majority of the members to approve future amendments.

Reference in CCRs to all applicable Civil Code sections. In order to make it clear that the express obligations of the Association which are set forth in the amended CCRs require compliance with current and future statutes, the actual code sections are referenced in the text of the CCRs. This is particularly important in the context of budget and financial disclosures that are required annually and in relation to requirements in collection actions. This also ensures that as statutes are amended, the applicable provisions in the CCRs track those amendments.

Strengthening of Use Restrictions for Leased Units. Although the existing CCRs do contain provisions relative to leasing of units, since this is an issue which is a serious challenge to many associations, substantially improves the Association's ability to make sure that tenants are obligated and must follow the governing documents. (Section 3.01). These provisions create clear requirements for the duration of the lease, provisions of the lease which bind the tenant to the governing documents giving the Association a direct remedy against the tenant. (Section 3.02)

Provisions for Acoustical Issues. Section 3.13 sets forth provisions concerning installation of audio and video equipment so as to require certain acoustical attenuation methods which will mitigate noise issues between units.

Provisions for Security Cameras. Section 3.15 provides for owners to obtain approval for security cameras on their front doors, subject to certain conditions.

MAJOR CHANGES/ADDITIONS TO BYLAWS

Inclusion of Election Policy. Since 2006, all Associations were mandated to adopt election policies that track the requirements of California law relative to self-nomination, campaigning, use of secret ballots and the ability to mail in ballots to eliminate the need for proxies. Section 3.07 of the restated Bylaws includes an election policy which complies with that statutory mandate

Provision defining "Good Standing" to seek election to the Board or serve on the Board. Section 5.02 provides clear guidance as to what factors determine who is qualified to run for and serve on the Board. It also clarifies that Units that are owned by Trusts, Corporations or LLCs can have certain representatives serve on the Board.

Removal of Directors by Board. Section 5.03 (c) provides that the Board, without a vote of the members, may remove a director from the Board if a director fails to attend three (3) consecutive meetings without good cause or ceases to meet the qualifications under Section 5.02 (b) for being in "good standing," such as being delinquent in payment of assessments. This provision ensures that the persons elected to the Board will actually attend and participate or be replaced by someone who will.

Reduced Quorum Requirements. Pursuant to California law, all elections of directors must be conducted by mailed in secret ballots. This means that anyone who wants to participate has a simple procedure to do so. However, under the existing Bylaws, a quorum is a simple majority (51%) which is often not achieved and results in delays in elections and additional expenses. The amended Bylaws reduce the quorum percentage to twenty-five (25%) to make the election process more efficient and serve the interests of those who actually participate.

INFORMATIONAL MEETING ON JANUARY 15, 2019 AT 6 PM.

In the interests of transparency and to assist you in understanding the reasons for the amendment, I will be attending the informational meeting on January 15, 2019 for the purpose of answering your questions regarding the proposed amendment of the CCRs and Bylaws. A question and answer session will be held and I will attempt to respond to all your questions and comments. Please read the enclosed documents and develop questions that you want answered. If you wish to submit written questions, please email them to me at rdhillshafer@LHCLAWYERS.NET and I will answer them at the meeting and in a general written response.

IMPORTANCE OF VOTING

To approve the CCRs it requires approval by 67% of the members. To approve the Bylaws requires 51%. This is an important opportunity for the Association to bring its governing documents current and be consistent with current laws.

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Thank you for taking the time and making the effort to review and understand the process and the proposed changes.

Very truly yours,

LOEWENTHAL, HILLSHAFFER & CARTER, LLP

A handwritten signature in black ink, reading "Robert D. Hillshafer". The signature is written in a cursive, flowing style with a large initial "R".

Robert D. Hillshafer