

BYLAWS
OF
THE SOUTH BAY ASSOCIATION OF REALTORS®, INC.,
A NON-PROFIT MUTUAL BENEFIT CORPORATION

(As Amended on February 2009)



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**BYLAWS OF THE SOUTH BAY ASSOCIATION OF REALTORS®, INC.,
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ARTICLE 1 - NAME

1.1 Name.

The name of the organization shall be the **SOUTH BAY ASSOCIATION OF REALTORS®, INC.** (hereinafter referred to as the "SBAOR" The tern "Association" is used when referring to any Association of REALTORS®).

1.2 REALTOR® Membership Mark in Name of Association.

Inclusion and retention of the registered collective membership mark, "REALTORS®", in the name of the SBAOR shall be governed by the Constitution and Bylaws of the National Association of REALTORS® (hereinafter the "N.A.R.") as from time to time amended.

ARTICLE 2 - OBJECTIVES

2.1 Objectives.

The objectives of the SBAOR are:

- To unite those engaged in the recognized branches of the real estate profession for the purpose of exerting a beneficial influence upon the profession and related interests. The "recognized branches of the real estate profession" include buying, selling, exchanging, renting, leasing, managing, appraising for others for compensation, financing, building, developing, and subdividing real estate.
- To promote and maintain high standards of conduct in the real estate profession as expressed in the N.A.R. Code of Ethics (hereinafter "Code of Ethics") and Standards of Practice and the C.A.R. Code of Ethics and Arbitration Manual.
- To provide a unified medium for real estate owners and those engaged in the real estate profession whereby their interests may be safeguarded and advanced.
- To further the interests of home and other real property ownership.
- To unite those engaged in the real estate profession in this community with the California Association of REALTORS® (hereinafter "C.A.R.") and the N.A.R., thereby furthering their own objectives throughout the state and nation, and obtaining the benefits and privileges of membership therein.
- To designate, for the benefit of the public, those individuals within the State of California authorized to use the terms REALTOR® and REALTORS®, as licensed, prescribed, and controlled by the N.A.R. (Hereafter, the term REALTOR® shall include REALTOR®-Associate.)

ARTICLE 3 - SBAOR NATIONAL AND STATE MEMBERSHIPS

3.1 Association Membership in N.A.R. and C.A.R..

The SBAOR shall be a member of the N.A.R. and the C.A.R. as defined in the governing documents of the N.A.R. and the C.A.R.. By reason of the SBAOR's membership in the N.A.R. and the C.A.R., each REALTOR® member of the SBAOR shall be entitled to membership in the N.A.R. and the C.A.R. without further payment of dues. The SBAOR shall continue as a member of the N.A.R. and the C.A.R., unless by a majority vote of all of its REALTOR® members the decision is made to withdraw, in which case the N.A.R. and the C.A.R. shall be notified in writing at least one month in advance of the date designated for the termination of the SBAOR's membership.

3.2 Ownership and Use of REALTOR® Membership Marks.

The SBAOR recognizes the exclusive property rights of the N.A.R. in the terms of REALTOR® and REALTORS®. The SBAOR may use the terms while it is a member in good standing of the N.A.R.. The SBAOR shall discontinue use of the terms in any form in its name, upon ceasing to be a member of the N.A.R., or upon a determination by the Board of Directors of the N.A.R. that it has violated the conditions imposed upon use of the terms.

3.3 Adoption & Enforcement of the N.A.R. Code of Ethics and Standards of Practice; Compliance with the N.A.R. Governing Documents and Policies.

The SBAOR adopts the N.A.R. Code of Ethics and Standards of Practice and agrees to enforce the N.A.R. Code of Ethics and Standards of Practice among its REALTOR® members. The SBAOR and all of its members also agree to abide by all applicable provisions of the N.A.R.'s Constitution and Bylaws, as well as by all applicable N.A.R. rules, regulations, and policies.

3.4 Adoption & Enforcement of the C.A.R. Code of Ethics and Arbitration Manual; Compliance with the C.A.R. Governing Documents and Policies.

The SBAOR adopts the C.A.R. Code of Ethics and Arbitration Manual and agrees to enforce the C.A.R. Code of Ethics and Arbitration Manual among its REALTOR® members. The SBAOR and all of its members also agree to abide by all applicable provisions of the C.A.R.'s Constitution and Bylaws, as well as by all applicable C.A.R. rules, regulations, and policies.

3.5 Other Association Rules, Regulations, and Policies.

The SBAOR may adopt any rules, regulations, and policies which are not inconsistent with any of the N.A.R. or C.A.R. documents described in 3.3 or 3.4 above.

ARTICLE 4 - OFFICES

4.1 Principal Office.

The address of the SBAOR's principal office is 22833 Arlington Avenue, Torrance, California 90501. The Board of Directors is granted authority to change the location of the principal office, in which case such change shall be noted in the official minutes of the SBAOR, but need not be noted in the Bylaws.

4.2 Other Offices.

Other offices may be established at any time by the Board of Directors at any place or places. Any establishment of additional offices shall be noted in the official minutes of the SBAOR, but need not be noted in the Bylaws.

ARTICLE 5 - JURISDICTIONS

5.1 Description of Jurisdiction.

The territorial jurisdiction of the SBAOR as a member of the N.A.R. is as follows:

NORTHERN: Beginning at the Pacific Ocean and El Segundo Boulevard, east to the city limit of El Segundo, north following the city limit of El Segundo to Imperial Highway, east to Inglewood Avenue, continuing east following the Hawthorne city limit to Wilton Place. Beginning at Imperial Highway and Wilton Place south following the city limit of Hawthorne to El Segundo Boulevard, east to Figueroa.

EASTERN: Beginning at El Segundo Boulevard and Figueroa, south to Alondra Boulevard, following the Carson city limit and the Rancho Dominguez city limit, at Artesia and Susanna Road, continuing south following the Long Beach (710) Freeway and Carson city limit to Willow Street, then along the Wilmington city limit continuing to the Pacific Ocean.

SOUTHERN: Beginning at Cabrillo Beach along the Pacific Ocean to the San Pedro city limit. Then from Pacific Ocean North following the San Pedro city limit at Western Avenue to the Lomita city limit following west on Palos Verdes Drive North, then north and west along the Lomita city limit to Saddle View Road and the Torrance city limit. Continue west along the Torrance City limit to Pacific Ocean.

WESTERN: Beginning at the Pacific Ocean from the Torrance city limit along the coast to El Segundo Boulevard.

5.2 Jurisdictional Rights.

Territorial jurisdiction is defined to mean the right and duty to control the use of the terms REALTOR® and REALTORS® subject to the conditions set forth in these Bylaws and those of the N.A.R., and to protect and safeguard the property rights of the N.A.R. in those terms.

ARTICLE 6 - MEMBERSHIP, QUALIFICATION, APPLICATION, AND ACCEPTANCE

6.1 Classes of Membership.

There shall be four (4) classes of membership:

- a) REALTOR® Members;
- b) Institute Affiliate Members;
- c) Affiliate Members; and
- d) Honorary Members for Life.

6.2 Qualifications of REALTOR® Members.

6.2.1 REALTOR® Members, whether primary or secondary, who are Principals, Partners, Corporate Officers, or Branch Office Managers of Real Estate Firms shall:

- a) Maintain a current, valid California real estate broker or salesperson license or California real estate appraisal certification or license; and
- b) Act as a sole proprietor, partner, or corporate officer of a real estate firm , or office manager of a real estate firm acting on behalf of and the firms principal(s); and
- c) Remain actively engaged in the real estate profession; and
- d) Maintain or be associated with a real estate office located within the State of California or a state contiguous thereto; and
- (e) Have no record of official sanctions rendered by the courts or other lawful authorities for (i) violations of civil rights laws or real estate license laws within the past three years or (ii) criminal conviction if (1) the crime was punishable by death or imprisonment in excess of one year under the law under which the applicant was convicted and (2) no more than ten years have elapsed since the date of the conviction or the release of the applicant from the confinement imposed for that conviction, whichever is the later date.

6.2.2 REALTOR® Members, whether primary or secondary, who are Other than Principals, Partners, Corporate Officers, or Branch Office Managers of Real Estate Firms shall:

- a) Maintain a current, valid California real estate broker or salesperson license or California real estate appraisal certification or license; and
- b) Remain actively engaged in the real estate profession; and
- c) Remain employed by or affiliated as an independent contractor with a REALTOR® member who meets the requirements set forth in 6.2.1 for any Association of REALTORS® within the State of California or a state contiguous thereto; and
- d) Have no record of official sanctions rendered by the courts or other lawful authorities for (i) violations of civil rights laws or real estate license laws within the past three years or (ii) criminal conviction if (1) the crime was punishable by death or imprisonment in excess of one year under the law under which the applicant was convicted and (2) no more than ten years have elapsed since the date of the conviction or the release of the applicant from the confinement imposed for that conviction, whichever is the later date.

6.2.3 REALTOR® Members Who Are Franchise Corporate Officers.

REALTOR® members may be franchise corporate officers as described in 6.9.

6.2.4 Business Whose Business Activity Is Substantially Commercial.

In the case of a real estate firm, partnership, or corporation whose business activity is substantially all commercial, only those principals actively engaged in

the real estate business in connection with the same office, or any other offices within the jurisdiction of the SBAOR in which one of the firms principals holds REALTOR® membership, shall be required to hold REALTOR® membership unless otherwise qualified for Institute Affiliate Membership as described in 6.4.

6.3 Primary and Secondary REALTOR® Members.

An individual is a primary member of the SBAOR if the SBAOR pays the C.A.R. and the N.A.R. dues for that individual. An individual is a secondary member of the SBAOR if the C.A.R. and the N.A.R. dues are remitted through another board or association. There must be a Designated REALTOR® member of the SBAOR for licensees affiliated with the firm to select the SBAOR as their primary association. There need not be a Designated REALTOR® member of the SBAOR for licensees affiliated with the firm to select the SBAOR as their secondary association. The conditions for secondary membership shall be no more stringent than for primary membership and the privileges of membership shall be the same including the right to vote and hold office.

6.4 Qualification for Institute Affiliate Members.

Institute Affiliate members shall be Individuals who hold a professional designation awarded by an Institute, Society, or Council affiliated with the N.A.R. that addresses a specialty area other than residential brokerage or individuals who otherwise hold a class of membership in such Institute, Society, or Council that confers the right to hold office. Any such individual, if otherwise eligible, may elect to hold REALTOR® membership subject to payment of applicable dues for such membership

6.5 Affiliate Members.

Those individuals or firms engaged in activities related to the real estate profession, who are not qualified for REALTOR® membership may be Affiliate Members of the SBAOR.

6.6 Honorary Members for Life.

Honorary Members for Life shall be qualified REALTOR® members who have faithfully served and performed meritorious service for the SBAOR and who possess two (2) of the following qualifications:

- a) They are a past President of the SBAOR; and/or
- b) They are 70 years of age or older; and/or
- c) They have been a member of the SBAOR for 25 consecutive years or more.

Members who have met the criteria are eligible to be elected Honorary Members for Life are to have all rights and privileges and be subject to such obligations set forth in Articles 7 and 10 below.

6.7 Designated REALTOR®.

Each office shall designate in writing a REALTOR® member who shall be responsible for the conduct of individuals affiliated with the office and accountable to the SBAOR for all duties and obligations of SBAOR membership. The Designated REALTOR® must be the sole proprietor, partner, corporate officer, or a branch office manager acting on behalf of the office, must have the authority to bind the office in arbitrations, and must meet all the other qualifications for REALTOR® membership set forth in 6.2.1.

6.8 Required REALTOR® Membership of Officers and Partners.

All persons who are partners in a partnership or officers in a corporation, and are actively engaged in the real estate profession within the State of California or a state

contiguous thereto, or who are franchise corporate officers as described in 6.9, shall be ineligible for any class of membership other than REALTOR® membership. Each such person is required to hold REALTOR® membership individually in a local board or Association of REALTORS® in California (except as provided in 6.2.4) or in a state contiguous thereto, if they meet all the other qualifications set forth in 6.2.1, 6.2.2, 6.2.3, and 6.10, unless they otherwise qualify for Institute Affiliate membership as described in 6.4.

6.9 Franchise Corporate Officers.

Notwithstanding any other provision herein, franchise corporate officers of real estate brokerage franchise organizations with at least one hundred fifty franchisees located within the United States, its insular possessions and the commonwealth of Puerto Rico, may be elected to membership pursuant to the Constitution and Bylaws of the N.A.R. (hereinafter "Franchise Corporate Officers"). Franchise Corporate Officers may or may not be licensed for California real estate broker or salesperson or appraisal activities. Franchise Corporate Officers shall enjoy all of the rights, privileges, and obligations of REALTOR® membership, including compliance with the N.A.R. Code of Ethics and Standards of Practice and the C.A.R. Code of Ethics and Arbitration Manual, except: obligations related to the SBAOR mandated education, meeting attendance, or indoctrination classes or other similar requirements, if any, the right to use the term REALTOR® in connection with their franchise organization's name; and the right to hold elective office in the SBAOR, C.A.R., N.A.R.

6.10 Membership Application.

6.10.1 Applications.

Each applicant for membership shall submit an application in such manner and form as may be prescribed by the SBAOR Board of Directors and give his or her consent that the Board of Directors, may obtain information about the applicant from any member or other persons and that any information furnished to the Board of Directors by any person shall be absolutely privileged and shall not form the basis of any action for slander, libel, or defamation of character.

6.10.2 Familiarity with Bylaws, Rules, Regulations, and Code of Ethics.

Applicants for membership shall be familiar with and agree to abide by:

- a) The SBAOR Bylaws, as well as any applicable rules, regulations, and policies of the SBAOR;
- b) The N.A.R. Constitution, Bylaws, and, if a REALTOR® member, Code of Ethics and Standards of Practice, as well as any applicable rules, regulations and policies of the N.A.R.; and
- c) The C.A.R. Constitution, Bylaws, and Code of Ethics and Arbitration Manual, as well as any applicable rules, regulations and policies of the C.A.R..

Applicants may be required to pass a reasonable and nondiscriminatory written examination on the above.

6.10.3 Applicants Who Are Sole Proprietors, General Partners, Corporate Officers, Branch Office Managers, or Designated REALTORS®.

Applicants who are sole proprietors, general partners, corporate officers, branch office managers, or Designated REALTOR® (as described in 6.7 above) of a real estate firm shall verify that:

- a) They have no record of official sanctions rendered by the courts or other lawful authorities within the past three years for violations of:
 - i) Civil rights laws;
 - ii) Real estate license laws; or
 - iii) Other laws prohibiting unprofessional conduct; and
- b) They have not been suspended or expelled from a Board of REALTORS® or Association of REALTORS® within the past three (3) years for violations of the N.A.R. Code of Ethics and Standards of Practice or the C.A.R. Code of Ethics and Arbitration Manual.

NOTE: Article IV, Section 2, of the N.A.R. Bylaws prohibits a Member Association of REALTORS® from knowingly granting REALTOR® membership to any applicant who has an unfulfilled sanction pending which was imposed by another Association of REALTORS® for violation of the N.A.R. Code of Ethics and Standards of Practice.

- c) Applicants who are sole proprietors, general partners, corporate officers, branch office–managers or Designated REALTORS® of a real estate firm must disclose:
 - i) Whether they or their firms are subject to any pending bankruptcy proceedings; and
 - ii) Whether they or their firms have been adjudged bankrupt within the past three (3) years. If the applicant is party to pending bankruptcy or insolvency proceedings or has been adjudged bankrupt within the past three (3) years, the applicant may be required to pay cash in advance for SBAOR and Multiple Listing Service (hereafter AMLS) fees for up to one year from the date that membership is approved or from the date that the applicant is discharged from bankruptcy, whichever is later. If the Board of Directors determines that such prepayments will not protect the interests of the SBAOR or its members, such applications may be rejected.

6.11 Disability or Illness of a REALTOR® Member.

In the event a REALTOR® member is unable to continue to work in the real estate profession due to disability or illness, he/she may request his/her membership be inactivated and, at the discretion of the Board of Directors, his/her request may be granted and his/her SBAOR dues waived for one year.

6.12 Death or Incapacitation of a Designated REALTOR® Member.

6.12.1 Death or Incapacitation of a Designated REALTOR® Member Who Is Operating as an Individual.

In the event of the death or incapacitation of a Designated REALTOR® member who is operating as an individual under his or her own name, or a fictitious business name, his/her membership in the SBAOR shall cease, and all multiple listings taken by him/her or his/her sales associate(s) shall automatically terminate. However, in the event his/her heirs or estate wish to employ another

broker to take over, either to wind up the affairs of the office or to carry on the real estate business in the location, the new broker and any sales associate(s) formerly licensed under the deceased or incapacitated Designated REALTOR® member may file an application with the SBAOR within thirty (30) days of the death or incapacitation of the Designated REALTOR®, and if, from the application, it appears that the applicant is qualified for membership, then the applicant shall automatically be a member with a temporary status for six (6) months from the date of application. If the applicant intends only to close out the affairs of the deceased or incapacitated member, no additional application fee need be paid. However, if the applicant intends to continue this business for more than six (6) months, then the regular application fee and membership dues must accompany the application.

6.12.2 Death or Incapacitation of a Designated REALTOR® Member Who Is a Partner in a Partnership or an Officer of a Corporation.

In the event of the death or incapacitation of a Designated REALTOR® member who is a partner in a partnership or an officer of a corporation, that company may designate any Broker member of the SBAOR who was a partner in the partnership or an officer in the corporation at the date of the death or incapacitation of the Designated REALTOR® member, and the SBAOR will acknowledge the new Designated REALTOR® member. In the event there are no broker members in that firm at the date of death or incapacitation of the Designated REALTOR® member, a new broker and any REALTOR® non-broker member formerly licensed under the partnership or corporation may submit an application for membership, and it will be handled in the same fashion as in 6.12.1 above.

6.13 Application Review and Acceptance.

The procedure for acceptance to membership shall be as follows:

- a) The Membership Department shall determine whether the applicant is applying for the appropriate class of membership. It shall then give written notice to the REALTOR® members of such application and invite written comment. If one or more of the REALTOR® members object to the approval of the application, basing such objection on lack of qualification as set forth in the SBAOR Bylaws any objecting member shall be invited to appear and substantiate his or her objections. Objections that are not substantiated shall be totally disregarded. The membership department must:
 - i) Inform the applicant in advance, in writing, of any objections and identify the objecting member; and
 - ii) Give the applicant an opportunity to appear before the appeals panel and establish his or her qualifications.

The appeals panel shall thereafter make a written report of its findings. The appeals panel shall conduct all proceedings with strict attention to the principles of due process and compliance with these Bylaws.

- b) Within twenty (20) days, the appeals panel shall report its recommendation to the applicant and to the Board of Directors in writing. If the recommendation is to reject the application, the reasons shall be specifically stated. If any member of the Membership Department submits a dissenting recommendation, it shall also be reported to the applicant and to the Board of Directors. The applicant shall also be

notified of his or her right to appear before the Board of Directors.

- c) The Board of Directors shall review the qualifications of the applicant and the recommendations of the appeals panel and then vote on the applicant's eligibility for membership. If the applicant appears, counsel may represent him or her, call witnesses on his or her behalf, and make such statements as he or she deems relevant. If the applicant is represented by counsel, the Board of Directors may also have counsel present. If the applicant receives a majority vote of the Board of Directors, he or she shall be declared accepted as a member and shall be advised by written notice. .
- d) If the Board of Directors determines that the application should be rejected, it shall record its reasons in writing. If the Board of Directors believes that denial of membership to the applicant may become the basis of litigation and a claim of damage by the applicant, it may specify that denial shall become effective only upon entry of a final declaratory judgment by a court of competent jurisdiction, in a suit brought by the SBAOR, holding that the rejection violates no rights of the applicant.

6.14 New Member Code of Ethics Orientation.

Applicants for REALTOR® membership and provisional REALTOR® members (where applicable) shall complete an orientation program on the Code of Ethics meeting the minimum criteria established by the N.A.R. for new member ethics training. This requirement does not apply to applicants for REALTOR® membership or provisional members who have completed comparable orientation in another Association of REALTORS®, provided that REALTOR® membership has been continuous, or that any break in membership is for one year or less. Failure to satisfy this requirement within sixty days of the date of application (or, alternatively, the date that provisional membership was granted), will result in denial of the membership application or termination of provisional membership. .

6.15 Continuing Member Code of Ethics Training.

Every four-year period, starting with the period from January 1, 2001 through December 31, 2004, and for successive four-year periods thereafter, each REALTOR® member of the SBAOR shall be required to complete a course on the N.A.R. Code of Ethics, meeting the minimum criteria established by the N.A.R. for quadrennial ethics training. This requirement will be satisfied upon presentation of documentation that the member has completed such course of instruction conducted by this or another Association, C.A.R., N.A.R., or any other recognized educational institution. REALTOR® members who have completed training as a requirement of membership in another Association REALTOR® members who have completed the New Member Code of Ethics orientation during any four-year cycle shall not be required to complete additional ethics training until a new four-year period commences. Failure to satisfy this requirement shall be considered a violation of a membership duty for which REALTOR® membership shall be suspended until such time as the training is completed. Members suspended for failing to meet the requirement for the first four (4) year cycle (2001-2004) will have until December 31 2005 to meet the requirement. Failure to meet the requirement by that time will result in automatic termination of membership.

Failure to meet the requirement for the second (2005-2008) cycle and subsequent four (4) year cycles will result in suspension of membership for the first two months (January and February) of the year following the end of any four (4) year cycle or until the requirement is met, whichever occurs sooner. On March 1 of that year, the membership of member who is still suspended as of that date will be automatically terminated. (Adopted 1/01, revised 6/05)

6.16 Status Changes.

6.16.01 REALTORS® Who Change the Conditions Under Which They Hold Membership.

REALTORS® who change the conditions under which they hold membership shall be required to provide written notification to the SBAOR within thirty (30) days. A non-principal REALTOR® who becomes a principal in the firm with which he or she has been licensed or, becomes a principal in a new firm which will be comprised of REALTOR® principals, may be required to satisfy any previously unsatisfied membership requirements applicable to principal REALTOR® members. During the period of transition from one status of membership to another, such members shall be subject to all of the privileges and obligations of a principal REALTOR® member. The Board of Directors, at its discretion, may waive any qualification that the member has already fulfilled in accordance with the Bylaws. If the REALTOR® does not satisfy the requirements established in the Bylaws for the category of membership to which they have transferred within thirty (30) days of the date they advised the SBAOR of their change in status, their application for change of status will terminate automatically unless otherwise so directed by the Board of Directors.

6.16.02 Terminated Members.

If the licensed status of any member is terminated, his or her membership in the SBAOR shall terminate automatically. If any member ceases to meet any other ongoing qualification of membership, the Board of Directors may terminate his or her membership. Each member shall have the affirmative duty to notify the SBAOR of any changes in his or her licensee status.

6.16.03 Proration of Fees.

Any application fee related to a change in membership status shall be reduced by an amount equal to any application fee previously paid by the applicant. Dues shall be prorated from the first day of the quarter in which the member is notified of acceptance by the Board of Directors of his or her change in status and shall be based on the new membership status for the remainder of the year.

6.17 Failure to Pay Fees, Dues, or Assessments.

Any member who fails to pay any fees, periodic dues, fines, or assessments for more than 30 days after their due date shall not be in good standing and shall not be entitled to vote as a member. Members will not be permitted to renew their membership unless all past due financial obligations are paid in full.

6.18 Transfer of Membership.

Transfer of membership is not allowed under any circumstance.

6.19 Resignation.

Member resignations shall become effective when received in writing by the Board of Directors. However, the SBAOR may condition the right of a resigning member to reapply for membership upon payment in full of any dues, fees, fines, or other assessments owed the SBAOR or any of its services, departments, divisions, or subsidiaries.

ARTICLE 7 - PRIVILEGES AND DUTIES OF MEMBERSHIP

7.1 Member Compliance with Bylaws, Policies, Rules, and Regulations.

It shall be the duty of every member of the SBAOR to abide by these Bylaws, as well as by any applicable rules, regulations, or policies of the SBAOR. Any member of the SBAOR may be reprimanded, fined, placed on probation, suspended, or expelled by the Board of Directors for a violation of the Bylaws or any applicable rule, regulation, or policy of the SBAOR. If a hearing is required it shall be held in accordance with the C.A.R. Code of Ethics and Arbitration Manual.

Although only REALTOR® members are subject to the C.A.R. Code of Ethics and Arbitration Manual and the N.A.R. Code of Ethics and Standards of Practice and their enforcement by the SBAOR, all members are encouraged to abide by the principles established in both of these documents and to conduct their business and professional practices accordingly. Further, any non-REALTOR® member may, upon recommendation of a hearing panel of the Professional Standards Committee, be subject to discipline as described above, for any conduct which, in the opinion of the Board of Directors, reflects adversely on the real estate industry or the terms REALTOR® or REALTORS® and for conduct that is inconsistent with or adverse to the objectives and purposes of the SBAOR, the C.A.R., or the N.A.R..

7.2 Privileges and Duties of REALTOR® Members.

7.2.1 Responsibility of REALTORS® to Abide by the N.A.R. and C.A.R. Constitutions, Bylaws, and Codes of Ethics.

In addition to the general duties of all SBAOR members as set forth in 7.1 above, it shall be the duty and responsibility of every REALTOR® member of the SBAOR to abide: 1) By the C.A.R.s Constitution, Bylaws, Code of Ethics and Arbitration Manual, and all applicable C.A.R. rules, regulations, and policies; and 2) By the N.A.R.s Constitution, Bylaws, Code of Ethics and Standards of Practice, and all applicable N.A.R. rules, regulations, and policies.

7.2.2 Responsibility of REALTORS® to the Real Estate Profession.

REALTOR® members have the primary responsibility to safeguard and promote the standards, interests and welfare of the SBAOR and the real estate profession.

7.2.3 Use of the Terms REALTOR® and REALTORS®.

REALTOR® members may use the terms REALTOR® and REALTORS® subject to the provisions set forth in Article 9.

If a REALTOR® member who is a sole proprietor, principal in a firm, partner in a partnership, officer of a corporation, branch office manager, or designated REALTOR® is suspended or expelled, his or her firm, partnership or corporation shall not use the terms REALTOR® or REALTORS® in connection with its business during the period of suspension or expulsion and the membership of all other principals, partners, or corporate officers shall suspend or terminate during the period of suspension or expulsion, unless:

- The disciplined member severs his or her connection with the firm, partnership, or corporation; or

- The disciplined member relinquishes management control of the firm.

The membership of REALTORS® who are employed or affiliated as independent contractors with the disciplined member shall suspend or terminate during the period of suspension or expulsion unless:

- The disciplined member severs his or her connection with the firm, partnership, or corporation; or
- The disciplined member relinquishes management control of the firm; or
- The non-principal REALTOR® member elects to sever his or her connection with the disciplined member and affiliates with another REALTOR® member in good standing in the Association.

If a REALTOR® member other than a sole proprietor in a firm, partner in a partnership, officer of a corporation, branch office manager, or designated REALTOR® is suspended or expelled, the use of the terms REALTOR® or REALTORS® by the firm, partnership or corporation shall not be affected, provided removal of an individual from any form or degree of management control is certified to the SBAOR by the disciplined member and by the individual who is assuming management control, and provided the signatures on such certification are be notarized. The foregoing is not intended to preclude a suspended or expelled member from functioning as an employee or independent contractor, provided no management control is exercised.

In any action taken against a principal REALTOR® member for suspension or expulsion, notice of such action shall be given to all REALTORS® employed by or affiliated as independent contractors with such REALTOR® member and they shall be advised that the provisions in this Article VII, Section 7.2 shall apply.

7.3 Privileges and Duties of Institute Affiliate Members.

Institute Affiliate members shall have the rights and privileges and be subject to the obligations prescribed by the Board of Directors consistent with the N.A.R. Constitution and Bylaws.

NOTE: Local associations establish the rights and privileges to be conferred on Institute Affiliate Members except that no Institute Affiliate Member may be granted the right to use the term REALTOR®, REALTOR-ASSOCIATE®, or the REALTOR® logo; to serve as President of the local association; or to be a Participant in the local association's Multiple Listing Service.

7.4 Privileges and Duties of Affiliate Members.

Affiliate members shall have the rights and privileges and be subject to the obligations prescribed by the Board of Directors.

7.5 Privileges and Duties of Honorary Members for Life.

Honorary Members for Life shall have the rights and privileges and be subject to the obligations prescribed by the Board of Directors.

7.6 Certification by Designated REALTOR®.

Designated REALTORS® shall certify to the SBAOR during the first month of the fiscal

year on a form provided by the SBAOR a complete listing of all individuals licensed or certified under California law with any REALTOR® firm(s), and shall designate the primary association, if any, for each individual. These declarations shall be used for purposes of calculating dues under Section 10.2 of these Bylaws. Designated REALTOR® members shall also notify the SBAOR of any additional individual(s) licensed or certified with the firm(s) and of any individual whose affiliation with the firm was severed within thirty days of the date of affiliation or severance of the individual(s).

7.7 Voting Rights and Elective Office.

REALTOR® members in good standing, including membership in the National Association of REALTORS®, who have completed the new member orientation and whose financial obligations to the SBAOR are paid in full shall be entitled to vote and to hold elective office in the SBAOR. (Members **not** in good standing and members whose financial obligations to the SBAOR are **not** paid in full shall **not** be entitled to vote or to hold elective office in the SBAOR) Each member shall be entitled to one vote on each matter submitted to a vote of the members. Proxy voting is not allowed. Each member shall be entitled to vote on the following issues:

- a) Election of members of the Board of Directors;
- b) Election of President-Elect;
- c) Withdrawal of the SBAOR from either the C.A.R. or the N.A.R.;
- d) Any unbudgeted¹ capital expenditure in excess of \$100,000;
- e) Disposition of all or substantially all of the assets of the SBAOR;
- f) Merger or dissolution of the SBAOR;
- g) Other matters as required by California law; and
- h) Other issues as decided by the Board of Directors.

7.8 Member Discipline.

7.8.1 Discipline of REALTOR® Members.

Any REALTOR® member of the SBAOR may be disciplined by the Board of Directors for violations of the code of Ethics or other duties of membership after a hearing as described in the California Code of Ethics and Arbitration Manual, provided the discipline imposed is consistent with the N.A.R. policy as set forth in the California Code of Ethics and Arbitration Manual.

- a) For violation of any duty of membership, including a violation of the N.A.R. Code of Ethics and Standards of Practice, the C.A.R. Code of Ethics and Arbitration Manual, the SBAOR Bylaws, or any applicable SBAOR rule, regulation, or policy;
- b) Upon member being convicted, adjudged, or otherwise recorded as guilty by

¹Unbudgeted means not included in that years annual budget.

a final judgment of any court of competent jurisdiction of a felony, or a crime involving moral turpitude, or on a members being determined by any court of competent jurisdiction, or official of the State of California authorized to make the determination, of having violated a provision of the California real estate law or a regulation of the California Real Estate Commissioner.

- c) For any violation of subsection (a) above by another who is also a member, and who is affiliated with the member, provided the member was the Designated REALTOR® for that person at the time the alleged violation occurred.
- d) For any violation of subsection (a) above by any person who is not a member, but is employed by or affiliated with a member and was providing real estate related services within the scope of the members license.

7.8.2 Discipline of Non-REALTOR® Members.

Any member of the SBAOR may be disciplined by the Board of Directors for violations of duties of membership after a hearing as described in the California Code of Ethics and Arbitration Manual, provided the discipline imposed is consistent with the N.A.R. policy as set forth in the California Code of Ethics and Arbitration Manual.

- a) For violation of any duty of membership, the SBAOR Bylaws, or any applicable SBAOR rule, regulation, or policy;
- b) Upon the member being convicted, adjudged, or otherwise recorded as guilty by a final judgment of any court of competent jurisdiction of a felony, or a crime involving moral turpitude, or on a members being determined by any court of competent jurisdiction, or official of the State of California authorized to make the determination, of having violated a provision of the California real estate law or a regulation of the California Real Estate Commissioner.

7.8.3 Discipline for Unlawful Harassment.

Specifically included in the laws for which both REALTOR® and non-REALTOR® members of the SBAOR may be reprimanded, placed on probation, suspended, or expelled for violating are the laws pertaining to unlawful harassment as set forth in the California Fair Employment and Housing Act. Under the California Fair Employment and Housing Act, it is illegal to harass an employee based on age, race, religious creed, color, national origin, physical disability, mental disability, marital status, pregnancy, sex (gender), sexual orientation, or genetic characteristic, as these terms are defined in the California Fair Employment and Housing Act. Therefore, any member who unlawfully harasses an employee of the SBAOR, or any regional MLS of which the SBAOR is a member, may be reprimanded, placed on probation, suspended, or expelled after a hearing, which shall be held in accordance with the C.A.R. Code of Ethics and Arbitration Manual.

7.8.4 Notice to Employed or Affiliated REALTORS®.

In any action taken against a principal REALTOR® member for suspension or expulsion, notice of such action shall be given to all REALTORS® employed by or affiliated as independent contractors with such REALTOR® member and they shall be advised that the provisions in Article 7 shall apply.

7.9 Resignation with Pending Arbitration or Disciplinary Hearing.

If a member resigns from the SBAOR or otherwise causes membership to terminate with a disciplinary complaint pending, the Board of Directors may condition the right of the resigning member to reapply for membership upon the applicant's certification that he or she will submit to the pending disciplinary hearing and comply with any sanction imposed. If a member resigns or otherwise causes membership to terminate, the duty to submit to arbitration continues in effect even after membership lapses or is terminated, provided that the dispute arose while the former member was a member.

ARTICLE 8 - PROFESSIONAL STANDARDS AND ARBITRATION

The responsibility of the SBAOR and its members relating to the enforcement of the Code of Ethics, the disciplining of members, the arbitration of disputes, and the organization and procedures incident thereto shall be governed by the California Code of Ethics and Arbitration manual, as published and from time to time amended by C.A.R., which by this reference is made a part of these Bylaws.

8.1 Member Compliance with Constitutions, Bylaws, Codes of Ethics, Rules, Regulations, and Policies of the N.A.R. and the C.A.R..

It shall be the duty and responsibility of every REALTOR® member of the SBAOR to abide by the Constitutions, Bylaws, and the Rules and Regulations of the SBAOR, the Constitution and Bylaws of the C.A.R., the Constitution and Bylaws of the N.A.R. and the Code of Ethics, including the duty to arbitrate controversies arising out of real estate transactions as specified by Article 17 of the N.A.R. Code of Ethics and as further defined and in accordance with the procedures set forth in the CALIFORNIA CODE OF ETHICS AND ARBITRATION MANUAL as from time to time amended by the C.A.R.. By becoming and remaining a member, every REALTOR® member agrees that he or she and the corporation or firm for which he or she acts as a partner, officer, principal, or branch office manager, will submit to arbitration through the SBAOR all disputes with any other member or member of the public subject to the conditions set for the in the CALIFORNIA CODE OF ETHICS AND ARBITRATION MANUAL.

9.1 Use and Control of REALTOR® Membership Marks.

Use of the terms REALTOR® and REALTORS® by members shall, at all times, be subject to the provisions of the Constitution and Bylaws of the N.A.R. and to the Rules and Regulations prescribed by its Board of Directors. The SBAOR shall have the authority to control, jointly and in full cooperation with the N.A.R., use of the terms within its jurisdiction.

Any misuse of the terms by members in a violation of a membership duty may subject members to disciplinary action by the Board of Directors after a hearing as provided for in the C.A.R. Code of Ethics and Arbitration Manual.

9.2 Jurisdictional Limits on Use of REALTOR® Membership Marks.

REALTOR® members of the SBAOR shall have the privilege of using the terms REALTOR® and REALTORS® in connection with their places of business within California, or a state contiguous thereto, so long as they remain REALTOR® members in good standing. No other class of members shall have this privilege.

9.3 Use of REALTOR® Membership Marks Dependent on Status of Firm Principals.

9.3.1 Use of the Terms REALTOR® and REALTORS® by REALTOR® Members Who Are Principals of a Real Estate Firm, Partnership, or Corporation.

A REALTOR® member who is a principal of a real estate firm, partnership, or corporation may use the terms REALTOR® and REALTORS® only if all the principals of such firm, partnership, or corporation who are actively engaged in the real estate profession within California, or a state contiguous thereto, are REALTOR® members.

9.3.2 Use of the Terms REALTOR® and REALTORS® by REALTOR® Members Who Are Principals of a Substantially Commercial Business.

In the case of a REALTOR® member who is a principal of a real estate firm, partnership, or corporation whose business activity is substantially all commercial, the right to use the term REALTOR® or REALTORS® shall be limited to office locations in which a principal, partner, corporate officer or branch office manager of the firm, partnership, or corporation holds REALTOR® membership. If a firm, partnership, or corporation operates additional places of business in which no principal, partner, corporate officer or branch office manager holds REALTOR® membership, the term REALTOR® or REALTORS® may not be used in any reference to those additional places of business.

9.4 Institute Affiliate Members Ineligible to Use REALTOR® Membership Marks.

Institute Affiliate members shall not use the terms REALTOR® or REALTORS® nor the imprint of the emblem seal of the N.A.R..

ARTICLE 10 - DUES AND ASSESSMENTS

10.1 Application Fee.

The Board of Directors may adopt a reasonable application fee for membership in the SBAOR. The application fee for REALTOR® membership shall not exceed three (3) times the amount of the annual dues for REALTOR® membership. The application fee shall be required to accompany each application for membership in the SBAOR and shall become the property of the SBAOR upon final approval of the application.

10.2 Dues.

10.2.1 Dues to Be Determined by Board of Directors.

The Board of Directors shall determine annually the amount of annual dues to be paid by each class of membership.

10.2.2 Calculation of Dues.

The dues of each Designated REALTOR® member shall be a base amount plus an amount multiplied by the number of real estate licensees and licensed or certified appraisers who:

- a) Are employed by or affiliated as independent contractors, or who are otherwise directly or indirectly licensed or certified with such REALTOR® member; and

b) Are not REALTOR® members of any Association of REALTORS® within California or a state contiguous thereto, or Institute Affiliate members of the SBAOR. In calculating the dues payable to the SBAOR by a Designated REALTOR® member, non-member licensees as defined in (a) and (b) of this subparagraph shall not be included in the computation of dues if the designated REALTOR® has paid dues based on non-member licensees to another Association of REALTORS® within the State of California or a state contiguous thereto, provided the designated REALTOR® notifies the SBAOR in writing of the identity of the Association of REALTORS® to which dues have been remitted.

(a) A REALTOR® with a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTORS® for consideration on a substantially exclusive basis shall annually file with the association on a form approved by the association a list of the licensees affiliated with that entity and shall certify that all of the licensees affiliated with the entity are solely engaged in referring clients and customers and are not engaged in listing, selling, leasing, managing, counseling, appraising or arranging financing for real property. The individuals disclosed on such form shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this Article 10, Section 10.2.2 and shall not be included in calculating the annual dues of the Designated REALTOR®

(b) Membership dues shall be prorated for any licensee included on a certification form submitted to the association who during the same calendar year applies for REALTOR® or REALTOR-ASSOCIATE® membership in the association. However, membership dues shall not be prorated if the licensee held REALTOR® or REALTOR-ASSOCIATE® membership during the preceding calendar year.

10.2.3 Dues Not to Include Additional Allocation for C.A.R. Dues.

The annual dues of REALTOR® members shall not include any allocation for the C.A.R., if the member is a member of a board or association of the C.A.R. and that board or association has paid the C.A.R. dues for the member.

10.2.4 Dues Not to Include Additional Allocation for N.A.R. Dues.

The annual dues of REALTOR® members shall not include any allocation for the N.A.R., if the member is a member of a board or association of the N.A.R. and that board or association has paid the N.A.R. dues for the member.

10.2.5 Assessments for Non-Member Licensees.

In the case of a Designated REALTOR® member in a firm, partnership, or corporation whose business activity is substantially all commercial, any assessments for non-member licensees shall be limited to licensees affiliated with the Designated REALTOR® (as defined in 10.2.2 above) in the office where the Designated REALTOR® holds membership, and any other offices of the firm located within the jurisdiction of the SBAOR.

10.2.6 Dues for Institute Affiliate Members.

Dues for Institute Affiliate Members of the SBAOR shall be as established in Article II of the Bylaws of the NATIONAL ASSOCIATION OF REALTORS®.

10.3 Dues Payable.

Dues shall be computed from the first day of the quarter in which a member is notified of acceptance and shall be pro-rated for the remainder of the year. Thereafter dues for all members shall be payable annually in advance by December 31st. At the time of renewal any and all payable dues, fees, fines and other assessments owed to the SBAOR or its MLS service must be brought current. Membership renewal will not be processed unless any and all payables owed by the member are brought current.

10.3.1 Late and Reinstatement Fees.

If a member fails to pay their annual membership dues in full by January 1st a late fee of \$25.00 will be assessed in addition to the annual dues amount. If the annual dues are not paid by January 15th, the members local, C.A.R. and N.A.R. membership will be inactivated. On and after January 16th, the member may only be reinstated by paying the annual dues, the local late fee of \$25.00, and the local reinstatement fee of \$25.00. If the 15th of January falls on a Friday, weekend, or holiday, the inactivation will be processed on the next business day. Any annual dues not paid by February 28th will result in termination of local, C.A.R., and N.A.R. membership and an additional \$30.00 C.A.R. late fee will apply. (Amended 11/2011)

10.3.2 Bankruptcy.

Any member who initiates bankruptcy proceedings may be placed on a "cash basis". From the date the bankruptcy petition is filled until one year from the date that the member has been discharged from bankruptcy.

10.3.3 Non-Sufficient Funds.

If any dues and other fees, fines, or other assessments are paid by check and that check fails to clear, a "bounced" check processing fee will be assessed the member and must be paid prior to the membership renewal being processed. If a check fails to clear causing the members renewal to be delinquent, a late fee and reinstatement fee may be assessed.

10.4 Nonpayment of Financial Obligations.

10.4.1 Termination for Nonpayment of Financial Obligations.

If dues, fees, fines, or other assessments, including amounts owed to the SBAOR or its Multiple Listing Service are not paid by the due date, the nonpaying member is subject to termination 60 days after the due date. Membership of a nonpaying member shall automatically terminate unless within that time the total amount due is paid, including any late or other fees. Furthermore, no member shall be terminated until twenty (20) days after notice is given of a proposed expulsion and has been mailed to him or her, which notice may be given before or after the expiration of the 60 day limit.

10.4.2 Notice of Termination for Nonpayment of Financial Obligations.

If, within ten (10) days after the mailing of a notice the member requests a hearing, the effective date of the termination shall be deferred until after such hearing. The SBAOR shall mail to the member at least five (5) days prior to the hearing, a notice of the time and place of the hearing. At the hearing, the Board of Directors or an appeals panel shall receive evidence from the member and may receive evidence from any other person on the issue of whether the member was delinquent in the payment of fees or charges and on the issue of whether it

would be in the best interests of the SBAOR to terminate the membership

10.4.3 Board of Directors Decision to Terminate for Nonpayment of Dues, Fees, Etc.

If it is determined that a member is delinquent, the SBAOR may decide, as it deems in the best interest of the SBAOR, to terminate the membership, on condition that the member pay the delinquency on or before a specified date or pay the delinquency in specified installments on or before specified dates. The membership shall be automatically terminated without further hearing if the member fails to perform such condition.

10.4.4 Effective Date of Suspension or Termination for Nonpayment of Financial Obligations.

Any suspension or expulsion occurring after a hearing shall be effective five (5) days after notice thereof is mailed to the member, subject to the right of the SBAOR to specify that the suspension or expulsion shall become effective upon the entry, in a suit by the SBAOR for declaratory relief, of the final judgment of a court of competent jurisdiction declaring that the suspension or expulsion violates no rights of the member.

10.4.5 Application for Reinstatement by a Member Terminated for Nonpayment of Financial Obligations.

A former member who has had his or her membership terminated for nonpayment of dues, fees, fines, or other assessments duly levied in accordance with the provisions of these Bylaws or the provisions of other Rules and Regulations of the SBAOR or any of its services, departments, divisions, or subsidiaries may apply for reinstatement in a manner prescribed for new applicants for membership, only after making payment in full of all accounts due as of the date of termination.

10.4.6 Nonpayment of Financial Obligations.

In the event the membership of a real estate licensee or certified or licensed appraiser who holds REALTOR® membership is terminated for non-payment of SBAOR dues, fees, fines, etc. and the licensee or appraiser remains affiliated with the same firm, the dues obligation of the designated REALTOR® will be increased to reflect the addition of a non-member licensee or appraiser. Dues shall be calculated from the first day of the current fiscal year and are payable within thirty (30) days of the notice of termination.

10.5 Notice of Delinquent Dues, Fees, Fines, Assessments and Other Financial Obligations of Members.

All delinquent dues, fees, fines, assessments or other financial obligations to the SBAOR or its Multiple Listing Service shall be noticed to the delinquent member in writing, setting forth the amount owed and due date(s).

10.6 Leaves of Absence.

When a leave of absence is requested in writing, an annual fee to be determined by the Board of Directors shall be paid to the SBAOR and shall continue the membership in good standing for a period not to exceed three (3) years, and shall entitle said member to re-establish his membership, but carry no right to vote or otherwise participate in the activities of the SBAOR, including use of the REALTOR® and REALTORS® membership marks, until membership is re-established.

ARTICLE 11 - MEETINGS OF MEMBERS

11.1 Annual Meetings of Members.

The annual meeting of the SBAOR shall be held during July of each year, with the date, place, and hour to be designated by the Board of Directors.

11.2 Special Meetings of Members.

Special meetings of the members may be held at other times as the President or the Board of Directors may determine, or upon the written request of at least fifty (50%) percent of the members eligible to vote.

11.3 Notice of Meetings by Mail.

Notice of membership meetings may be sent by regular first class mail to the address shown on the current SBAOR records of every member entitled to participate in the meeting at least ten (10) calendar days, but not more than ninety (90) calendar days before all meetings. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any meeting notice shall state the place, date, and hour of the meeting. In the case of a special meeting, the general nature of the business to be transacted shall be stated in the notice, and no other business may be transacted.

11.4 Electronic Notice of Meetings.

The SBAOR may publish notice of membership meetings in an obvious location, in type at least 12-point in size, on the SBAOR website, e-Connection Newsletter or notify members by e-mail at least 10, but not more than 90 calendar days before all meetings. Notice by posting on the SBAOR website shall be deemed to have been given at the time of posting on the website. Notice by e-mail shall be deemed to have been given at the time it was sent by the SBAOR. Any meeting notice shall state the place, date, and hour of the meeting. In the case of a special meeting, the general nature of the business to be transacted shall be stated in the notice, and no other business may be transacted.

11.5 Adjourned Meetings and Notice Thereof.

Any members meeting at which a quorum is present may be adjourned from time to time by the vote of a majority of the votes represented at the meeting. No meeting shall be adjourned for more than 30 calendar days. It shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted at it, other than by announcement at the meeting at which the adjournment is taken.

11.6 Quorum for Membership Meetings.

A quorum for the transaction of business by the general membership shall consist of fifteen percent (15%) of the REALTOR® members eligible to vote. If a quorum is present, the affirmative vote of the majority of the members who are present, and entitled to vote, shall be the act of the members, unless the vote of a greater number is required elsewhere in these Bylaws or by the laws of the State of California. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the members required to constitute a quorum.

11.7 Action by Directors in Absence of Quorum of Members.

In the absence of a quorum at a properly noticed meeting of members, the proposed business may be deemed approved as agreed by the Board of Directors either previous to or at the time of the meeting.

11.8 Inspectors of Election/Voting.

In advance of any meeting of members, the Board of Directors may appoint inspectors of election/voting. The powers and duties of the inspectors of election/voting shall be as set forth in California Corporations Code 7614(b) and shall include:

- a) Determining the number of members entitled to vote; and
- b) Determining whether a quorum exists; and
- c) Hearing and determining all challenges and questions in any way arising in connection with the right to vote; and
- d) Receiving votes; and
- e) Counting and tabulating all votes or consents; and
- f) Determining the result; and
- g) Doing such acts as may be proper to conduct the election or vote with fairness to all members. If there are three inspectors of election, the decision, act, or certificate of a majority is effective in all respects as the decision, act, or certificate of all.

11.9 Robert's Rules of Order.

Robert's Rules of Order, latest edition, shall be recognized as the authority governing the meetings of the members of the SBAOR, in all instances wherein its provisions do not conflict with the California Corporations Code or these Bylaws.

11.10 Actions of Members Without a Meeting.

Subject to the provisions of California Corporations Code, specifically Corporations Code 7513, any action except election of directors which, under any provision of the California Corporations Code may be taken at any regular or special meeting of members, may be taken without a meeting if:

- a) The written ballot of every member is solicited by the SBAOR setting forth the action to be taken; and
- b) The required number of signed approvals in writing setting for the action so taken is received; and
- c) The number of ballots cast within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action; and
- d) The number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. The record date for determining members entitled to cast written ballots pursuant to this paragraph shall be the day on which the first written ballot is solicited.

ARTICLE 12 - OFFICERS AND DIRECTORS

12.1 Officers.

The officers of the SBAOR shall be a President, a President-Elect, a Secretary, and a Treasurer. The President shall be the person who was elected by the members as the President-Elect the previous year, and who has therefore automatically ascended to the presidency. The President may also serve as the SBAOR Secretary. The President-Elect shall be the person who has been elected to that position by the members. The Treasurer and Secretary shall be appointed by the President and ratified by the Board of Directors. The term of each office shall be one year, from January through December. The Chief Executive Officer/Association Executive is the chief staff person of the SBAOR, but is not an officer or member of the Board of Directors and shall have no vote.

12.2 Compensation for Officers.

The officers are volunteers and shall not receive any salary or other monetary compensation for serving as officers of the SBAOR. The officers may, however, be compensated for reasonable expenses they incur in carrying out their duties to the SBAOR. The President shall receive a \$600.00 a month stipend to cover expenses.

12.3 Powers and Duties of Officers.

12.3.1 President.

Subject to the control of the Board of Directors, the President has the general powers and duties of management usually vested in the office of president of a corporation, and other powers and duties as may be prescribed by the Board of Directors. The President shall preside at all meetings of members and at all meetings of the Board of Directors. The President shall also automatically be named a director of the C.A.R..

12.3.2 President-Elect.

In the absence or disability of the President, the President-Elect shall perform all the duties of the President and in such case shall have all the powers of, and be subject to all the restrictions upon the President. The President-Elect shall automatically ascend to the presidency following his or her term as President-Elect. Should the President be unable to complete his or her term, the President-Elect will assume the position for the remaining term, and will continue to serve as President for the following calendar year. The President-Elect shall also serve as the Chair of the Nominating Committee, as set forth in 12.11.1. The President-Elect shall also automatically be named a director of the C.A.R..

12.3.3 Secretary.

The Secretary shall be responsible for all of the following, although the Secretary may delegate any or all of the following to the Chief Executive Officer/Association Executive:

- a) Maintaining at the principal office or other place ordered by the Board of Directors, a book of minutes of all meetings of members, the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice given of the meeting, the names of those present at Board and committee meetings, the number of members present or represented at members meetings, and the proceedings of the meetings;

- b) Keeping, at the principal office in the State of California the original or a copy of the SBAORs Articles of Incorporation and Bylaws, as amended to date; and
- c) Conducting all necessary correspondence with the N.A.R. and the C.A.R..

12.3.4 Treasurer.

The Treasurer is the chief financial officer of the SBAOR and shall be responsible for all of the following, although the Treasurer may delegate any or all of the following to the Chief Executive Officer/Association Executive:

- a) Maintaining adequate and correct accounts of the properties and business or financial transactions of the SBAOR;
- b) Sending to the members of the SBAOR financial statements and reports as required by law or these Bylaws to be sent to them;
- c) Depositing all moneys and other valuables in the name and to the credit of the SBAOR with depositories designated by the Board of Directors;
- d) Disbursing the funds of the SBAOR as ordered by the Board of Directors;
- e) Rendering to the President and the directors, whenever they request it, an account of all transactions and of the financial condition of the SBAOR;
- f) Assuring that the books of account are at all times open to inspection by any director; and
- g) Chairing the Budget and Finance Committee.

12.4 Directors.

The governing body of the SBAOR shall be a Board of Directors consisting of thirteen (13) REALTOR® members of the SBAOR. Two of the thirteen shall be the President and President-Elect, who will be elected by the membership. All directors, including the officers, have one vote. Eight (8) additional directors shall be elected to serve for terms of three years. The immediate Past President shall serve as a director for a one-year term. Two (2) additional directors shall serve as directors-at-large, with a one-year term, appointed by the President and ratified by the Board of Directors.

12.5 Directors Not to Be Compensated.

Directors are volunteers and shall not receive any salary or other monetary compensation for serving as directors of the SBAOR. Directors may, however, be compensated for reasonable expenses they incur in carrying out their duties to the SBAOR, at the discretion of the Board of Directors.

12.6 Powers and Duties of Directors.

Subject to the provisions of these Bylaws and of the California Corporations Code relating to action required to be approved by the members or by a majority of members, the activities and affairs of the SBAOR shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board of Directors may

delegate the management of the activities of the SBAOR to any person or persons, a management company, or committees however composed, provided that the activities and affairs of the SBAOR shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to these general powers, but subject to the provisions just stated, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

- a) To select and remove officers, directors, agents, and the Executive Officer of the SBAOR, and to prescribe qualifications, powers, and duties for them that are consistent with California law, these Bylaws, and the Bylaws of the N.A.R. and the C.A.R.;
- b) To conduct, manage, and control the affairs and activities of the SBAOR and to make rules and regulations therefore which are consistent with California law, these Bylaws, and the Bylaws of the N.A.R. and C.A.R.;
- c) To borrow money and incur indebtedness for the purposes of the SBAOR;
- d) To enter into contracts on behalf of the SBAOR; and
- e) To carry on business at a profit and apply any profit that results from the business activity to any activity in which it may lawfully engage provided it complies with I.R.C. 501(c)(7) and any other applicable tax regulations.

12.7 Deposits and Withdrawals.

All monies received by the SBAOR for any purpose shall be deposited to the credit of the SBAOR in a financial institution or institutions selected by resolution of the Board of Directors. Withdrawals may be made upon signatures of any two of the following: the President, President-Elect, Treasurer or the Chief Executive Officer/Association Executive. One of the signatories must be the President or the Executive Officer.

12.8 Endorsement of Documents.

Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance, or other instrument in writing and any assignment or endorsement thereof executed or entered into between the SBAOR and any other person, when signed by any two of the President, President-Elect, Treasurer, or Chief Executive Officer/Association Executive, shall be valid and binding on the SBAOR in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in the manner from time to time determined by the Board of Directors. Unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the SBAOR by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

12.9 Rights of Inspection.

Every director and officer shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind of the SBAOR, to communicate with any employee or agent of the SBAOR, and to inspect the physical properties of the SBAOR.

12.10 Expenditures.

The Board of Directors shall administer the day-to-day finances of the SBAOR. No unbudgeted capital expenditure in excess of \$100,000 may be made unless authorized by a majority of the SBAOR members eligible to vote and present at a duly held membership meeting. However, the Board of Directors may incur unbudgeted expenditures required for the protection of capital assets or to respond to emergency situations without the prior approval of the full membership of the SBAOR. Capital expenditures are those expenditures for long term improvements chargeable to the capital asset account. The directors will approve a written Investment Policy Statement for the investment of the SBAORs general reserves. This approval will be done annually at the first meeting of the year. As long as investments are made within the written policy, approval for individual investments will come from any two (2) of the following: President, President-Elect, Treasurer or Chief Executive Officer/Association Executive. One of the two must be the President or the Chief Executive Officer.

12.11 Election of Officers and Directors.

12.11.1 Nomination by the Nominating Committee.

At least two (2) months before the annual election, a Nominating Committee of five (5) REALTOR® members shall be appointed by the President with the approval of the Board of Directors. The Nominating Committee will be chaired by the President-Elect. The Nominating Committee shall select at least one candidate for each office and one candidate for each place to be filled on the Board of Directors. No member of the Nominating Committee may be a candidate for office or the Board of Directors. No person may be nominated for office unless they will meet all of the qualifications for the office at the beginning of the term for which he or she is a nominee. The report of the Nominating Committee shall be made available to each member eligible to vote at least four weeks preceding the election.

12.11.2 Nomination by Petition.

Additional candidates for the offices to be filled may be placed in nomination by petition signed by at least twenty-five (25%) percent of the REALTOR® members eligible to vote. The petition shall be filed with the Chief Executive Officer at least three (3) weeks before the election. The Chief Executive Officer shall send notice of such additional nominations to all members eligible to vote at least two (2) weeks before the election.

12.11.3 Election Committee.

In advance of the election, the President, with the approval of the Board of Directors, shall appoint an Election Committee of five (5) REALTOR® members, **none** of which is a candidate for office or the Board of Directors. The powers and duties of the election committee shall be as set forth in California Corporations Code 7614(b) for inspectors of election and shall include:

- a) Determining the number of members entitled to vote;
- b) Determining the number of members who vote;
- c) Receiving ballots;
- d) Determining the authenticity and validity of ballots;

- e) Hearing and determining all challenges and questions in any way arising in connection with the right to vote;
- f) Counting and tabulating all votes or consents. Tabulation is to take place at the SBAOR office within 48 hours of the date of the annual election meeting;
- g) Determining the result; and
- h) Doing such acts as may be proper to conduct the election or vote with fairness to all members. If there are three inspectors of election, the decision, act, or certificate of a majority is effective in all respects as the decision, act, or certificate of all.

12.11.4 Elections.

REALTOR® members in good standing, including membership in the National Association of REALTORS®, who have completed the new member orientation as of 5:00 p.m. at the close of business on the business day immediately preceding the day on which the election is held, shall be permitted to vote for SBAOR officers and directors. Elections shall be by ballot. All candidate's names must be listed on the ballot in alphabetical order. The ballot shall contain the names of all candidates and specify the office for which each is nominated by the Nominating Committee or by petition. Voting will be by mail or in person at the SBAOR office. There shall be no proxy votes. All mailed in ballots must be received at the SBAOR office no later than five (5) business days before the Membership Election Meeting. The candidates receiving the highest number of votes are elected, up to the number of available directors or officer positions being filled to be elected. In case of a tie vote, the issue shall be determined by lot.

12.12 Qualifications of Officers and Directors.

To be eligible to stand for election for an officer or director position or to serve if appointed or elected, a nominee for officer or director must meet the following requirements:

- a) He or she must have been a member of the SBAOR for a period of three (3) or more years and for elected offices a member of a SBAOR committee for at least one year within the past three years before starting his/her term of office;
- b) He or she must have had no violations of the Code of Ethics or Bylaws of the SBAOR, nor have been disciplined by a letter of reprimand, suspension, or expulsion recommended by the Professional Standards Committee and approved by the Board of Directors in the last two (2) years; and
- c) For the offices of President and President-Elect, in addition to the qualifications in (a) and (b), persons must have served as a director of the SBAOR for two (2) full years before starting their terms of office.

12.13 Removal of Officers and Directors.

In the event that an officer or director is deemed to be incapable for any reason of fulfilling the duties for which he or she was elected, but will not resign from office voluntarily, the officer or director may be removed from office under the following procedure:

- a) A petition requiring the removal of an officer or director and signed by not less than one-third of the voting membership or a majority of all directors shall be filed with the President, or if the President is the subject of the petition, with the next ranking officer, and shall specifically set forth the reasons the individual is deemed to be disqualified from further service.
- b) Upon receipt of the petition, and not less than twenty (20) days or more than forty-five (45) days thereafter, a special meeting of the voting membership of the SBAOR shall be held. The sole business of the meeting shall be to consider the charge against the officer or director, and to render a decision on such petition.
- c) The special meeting shall be announced to all voting members at least ten (10) days, but not more than ninety (90) days prior to the meeting, and shall be conducted by the President unless the President's continued service in office is being considered at the meeting. In such case, the next ranking officer will conduct the meeting. Provided a quorum is present, a three-fourths vote of members present and voting shall be required for removal from office.

12.14 Vacancies.

12.14.1 Definition of Vacancy.

A vacancy may exist in an office or on the Board of Directors by virtue of resignation, removal, death, a final court order declaring an officer or director to be of unsound mind, conviction of a felony, a final order or judgment of the court that an officer or director has breached any duty arising under California Corporations Code 7238, or by absence from two consecutive meetings, whether regular or special, unless for a good cause submitted to the Board of Directors in writing.

12.14.2 Vacancy in the Position of President.

Should the President be unable to complete his or her term, the President-Elect will assume the position for the remaining term, and will then continue to serve as President for the following calendar year. If the President-Elect is unable to assume the presidency at the time it becomes vacant, a seated member of the Board of Directors shall be elected by the Board to serve/complete the remaining term of the president. A simple majority vote of the Board of Directors is all that shall be required.

12.14.3 Vacancy in the Position of President-Elect.

If the President-Elect is unable to complete his or her term as President-Elect, the Board of Directors will elect a director who meets the required qualifications to become the new President-Elect. Such an election will require a simple majority vote of the Board of Directors.

12.14.4 Vacancies on the Board of Directors.

Vacancies on the Board of Directors shall be filled by Presidential appointment, which need only be ratified by a simple majority vote of the Board of Directors.

12.15 Limitations.

12.15.1 Firm Limitations.

No one firm, under the same Designated REALTOR®, may hold more than three (3) positions as officers and/or directors on the Board of Directors at any one time.

12.15.2 Term Limitations.

No director (including directors who are also officers) shall serve more than two (2) consecutive terms, although an individual may serve as a director (and as an officer) as many as four (4) times, provided the terms are not consecutive. A term is defined as a three-year term for elected directors and as a one-year term for directors-at-large.

ARTICLE 13 - MEETINGS OF THE BOARD OF DIRECTORS

13.1 Notice of Meetings of Directors.

The Board of Directors shall hold monthly meetings and shall designate a regular time and place of meetings. Notice of all meetings of the Board of Directors shall be given to all directors and officers via fax, e-mail, telephone, or face-to-face communication, at least one week prior to each meeting. Notices by fax and e-mail shall be deemed to have been given when sent. Notices by telephone or face-to-face communication shall be deemed to have been given when the conversation took place or when a voice mail message was recorded.

13.2 Waiver of Notice.

Notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of its minutes, whether before or after the meeting, or who attends the meeting without protesting the lack of notice either prior to or at the commencement of the meeting. All waivers, consents, and approvals of the Board of Directors shall be filed with the corporate records or made a part of the minutes of the meeting.

13.3 Adjourned Meetings and Notice Thereof.

A majority of the directors present may adjourn any Board meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned, unless the adjournment will be for more than four hours. If the meeting is adjourned for more than four hours, notice of any adjournment to another time or place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

13.4 Attendance Requirement.

Absence from two consecutive board meetings, whether regular or special, unless for a good cause submitted to the Board of Directors in writing, shall authorize the Board of Directors to declare the office of such director vacant.

13.5 Quorum for Meetings of Directors.

A quorum for the transaction of business by the Board of Directors shall consist of fifty-one (51%) percent of the directors (including the officers, who are also directors). If a quorum is present, the affirmative vote of the majority of the directors present at the meeting, entitled to vote and voting on any matter shall be the act of the directors, unless the vote of a greater number is required elsewhere in these Bylaws or by the laws of the State of California. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

13.6 Participation in Meetings by Conference Telephone.

Members of the Board may participate in a directors meeting through use of conference telephone, electronic video screen, or other communications equipment. Participation in a directors meeting through use of conference telephone constitutes presence in person at that meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through the use of electronic video screen or other communications equipment (other than conference telephone) constitutes presence in person at that meeting if all of the following apply:

- a) Each member participating in the meeting can communicate with all of the other participating members concurrently;
- b) Each member is provided the means of participating in all matters before the board including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the SBAOR; and
- c) The SBAOR adopts and implements some means of verifying both of the following:
 - i) A person participating in the meeting is in fact a director or other person entitled to participate in the meeting; and
 - ii) All actions of, or votes by, the directors are taken or cast only by the directors and not by persons who are not directors.

13.7 Robert's Rules of Order.

Robert's Rules of Order (latest edition) shall be recognized as the authority governing the meetings of the Board of Directors and committees, in all instances wherein its provisions do not conflict with the California Corporations Code or these Bylaws.

13.8 Actions of Directors Without a Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting provided a majority of the directors' consents in writing to the action. The written consent or consents shall be filed with the minutes of the proceedings of the members.

ARTICLE 14 - COMMITTEES

14.1 Standing Committees.

The President shall appoint from among the REALTOR® members, subject to confirmation by the Board of Directors, the following standing committees:

Budget and Finance Committee

Education Committee

Equal Opportunity Committee

Grievance Committee

MLS Committee

Professional Standards Committee

Government Affairs Committee

The President may delegate to any committee any of the authority of the Board **except** the authority to:

- a) Approve any action for which the California Corporations Code requires approval of the members or of a majority of all members;
- b) Fill vacancies on the Board of Directors or on any committee;
- c) Fix compensation of directors for serving on the Board or any committee;
- d) Fix compensation of committee members;
- e) Amend or repeal bylaws or adopt new bylaws;
- f) Amend or repeal any resolution of the Board of Directors;
- g) Expend corporate funds unless such expenditures are approved in advance by the Board of Directors; or
- h) Appoint other committees of the Board of Directors or members of other committees.

14.2 Special Committees.

The President shall appoint, subject to confirmation by the Board of Directors, special committees and/or task forces as deemed necessary. Any committee to which any authority of the Board of Directors is delegated may only be created, and its members appointed, by resolution adopted by a majority of the authorized number of directors then in office. The Board of Directors shall have the power to prescribe the manner in which such committee proceedings shall be conducted. Unless the Board of Directors or the President shall otherwise provide, the regular and special meetings and other actions of that committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board of Directors. Minutes shall be kept of each meeting of each committee.

14.3 Term of Committee Appointments.

Members of standing committees shall be appointed to one-year terms except the members of the Grievance Committee, the Professional Standards Committee, and the Budget and Finance Committee, which shall be appointed to staggered three-year terms.

14.4 Organization.

All committees shall be of such size and shall have such duties, functions, and powers as assigned by the Board of Directors except as otherwise provided in these Bylaws.

14.5 President and President-Elect.

The President and President-Elect shall be ex-officio non-voting members of all standing committees and shall be notified of their meetings.

14.6 Removal.

The President shall have the power, subject to confirmation by the Board of Directors, to remove any member from any committee.

ARTICLE 15 - CALIFORNIA ASSOCIATION OF REALTORS® DIRECTORS

15.1 Appointment of C.A.R. Directors.

The President and President-Elect shall automatically be named C.A.R. directors. The President shall appoint and the Board of Directors shall approve additional persons to fill the remaining C.A.R. director positions which have been allotted to the SBAOR.

15.2 Term of C.A.R. Directors.

C.A.R. directors (other than those persons who are automatically named C.A.R. directors because of their office) shall serve one-year terms.

15.3 Qualifications of C.A.R. Directors.

In order to be eligible for appointment as a C.A.R. director, a REALTOR® , before starting his or her term of office, must have been an SBAOR member for three (3) years and either a member of the Board of Directors for one (1) year or a chair or member of a committee for two (2) years. The President, upon ratification by the Board of Directors, may remove or replace a C.A.R. director.

ARTICLE 16 - AMENDMENTS

16.1 Amendment by the Board of Directors.

These Bylaws may be further amended or repealed in whole or in part by the Board of Directors, provided the action taken does not:

- a) Change Article 3;
- b) Violate the Constitution, Bylaws, Code of Ethics and Standards of Practice, or any applicable rule, regulation, or policy of the N.A.R.;
- c) Violate the Constitution, Bylaws, Code of Ethics and Arbitration Manual, or any applicable rule, regulation, or policy of the C.A.R.;
- d) Violate the laws of California;

- e) Materially and adversely affect the rights of members as to voting or dissolution;
- f) Increase or decrease the number of memberships authorized;
- g) Effect an exchange, reclassification, or cancellation of all or any part of the memberships;
- h) Authorize a new class of membership;
- i) Change the number of directors; or
- j) Lengthen the terms of the directors.

16.2 Amendment by the Members.

These Bylaws may be further amended or repealed in whole or in part by approval of a simple majority of all members present at a properly noticed meeting at which a quorum exists, provided the action does not:

- a) Violate the Constitution, Bylaws, Code of Ethics and Standards of Practice, or any applicable rule, regulation, or policy of the N.A.R.;
- b) Violate the Constitution, Bylaws, Code of Ethics and Arbitration Manual, or any applicable rule, regulation, or policy of the C.A.R.; or
- c) Violate the laws of California.

16.3 Approval of Amendments by the N.A.R.

Amendments to these Bylaws affecting the admission or qualification of REALTOR® or Institute Affiliate members, the use of the terms REALTOR® or REALTORS®, or any alteration in the territorial jurisdiction of the SBAOR shall become effective only upon approval by the Board of Directors of the N.A.R..

ARTICLE 17 - MULTIPLE LISTING SERVICE

17.1 Definition and Purpose.

A Multiple Listing Service (MLS) is a means by which authorized MLS broker participants make blanket unilateral offers of compensation to other Participants (acting as subagents, buyers agents, or in other agency or non-agency capacities defined by law); by which cooperation among participants is enhanced; by which information is accumulated and disseminated to enable authorized Participants to prepare appraisals, analyses, and other valuations of real property for bona fide clients and customers: by which Participants engaging in real estate appraisal contribute to common databases: and is a facility for the orderly correlation and dissemination of listing information so participants may better serve their clients and the public. Entitlement to compensation is determined by the cooperating broker's performance as a procuring cause of the sale (or lease).

17.2 Authority and Governing Rules.

The SBAOR shall maintain an MLS, which shall be subject to these Bylaws and to any applicable rules, regulations, and policies of the SBAOR which may now exist or be later

adopted. Alternatively, the SBAOR may maintain membership in a regional MLS which shall be subject to these Bylaws and to any applicable rules, regulations, and policies of the SBAOR, as well as to any bylaws and applicable rules, regulations, and policies of any regional MLS in which the SBAOR maintains membership.

17.3 Participation.

- a) Any REALTOR® Member of this or any other Board who is a principal, partner, corporate officer, or branch manager acting on behalf of the principal, without further qualification, except as otherwise stipulated in these bylaws, shall be eligible to participate in Multiple Listing upon agreeing in writing to conform to the rules and regulations thereof and to pay the costs incidental thereto* However, under no circumstances is any individual or firm regardless of membership status, entitled to Multiple Listing Service “membership” or “participation” unless they hold a current, valid real estate broker’s license and offer or accept compensation to and from other Participants or are licensed or certified by an appropriate state regulatory agency to engage in the appraisal of real property. **Use of information developed by or published by a Board Multiple Listing Service is strictly limited to the activities authorized under a Participant’s licensure(s) or certification and unauthorized uses are prohibited. Further, none of the foregoing is intended to convey “participation” or “membership” or any right of access to information developed by or published by a Board Multiple Listing Service where access to such information is prohibited by law.

Mere possession of a broker's license is not sufficient to qualify for MLS participation. Rather, the requirement that an individual or firm offers or accepts cooperation and compensation means that the participant actively endeavors during the operation of its real estate business to list real property of the type listed on the MLS and/or to accept offers of cooperation and compensation made by listing brokers or agents in the MLS. “Actively” means on a continual and ongoing basis during the operation of the participant's real estate business. The “actively” requirement is not intended to preclude MLS participation by a participant or potential participant that operates a real estate business on a part-time, seasonal, or similarly time-limited basis or that has its business interrupted by periods of relative inactivity occasioned by market conditions. Similarly, the requirement is not intended to deny MLS participation to a participant or potential participant who has not achieved a minimum number of transactions despite good faith efforts. Nor is it intended to permit an MLS to deny participation based on the level of service provided by the participant or potential participant as long as the level of service satisfies state law.

The key is that the participant or potential participant actively endeavors to make or accept offers of cooperation and compensation with respect to properties of the type that are listed on the MLS in which participation is sought. This requirement does not permit an MLS to deny participation to a participant or potential participant that operates a “Virtual Office Website” (VOW) (including a VOW that the participant uses to refer customers to other participants) if the participant or potential participant actively endeavors to make or accept offers of cooperation and compensation. An MLS may evaluate whether a participant or potential participant actively endeavors during the operation of its real estate business to offer or accept cooperation and compensation only if the MLS has a reasonable basis to believe that the participant or potential participant is in fact not doing so. The membership requirement shall be applied in a nondiscriminatory manner to all participants and potential participants.

- b) A nonmember applicant for MLS participation who is a principal, partner, corporate officer, or branch office manager acting on behalf of a principal, shall supply evidence satisfactory to the Membership Department that he has no record of recent or pending bankruptcy; has no record of official sanctions involving unprofessional conduct; agrees to complete a course of instruction (if any) covering the MLS rules and regulations and computer training related to MLS information entry and retrieval, and shall pass such reasonable and non-discriminatory written examination thereon as may be required by the MLS; and shall agree that if elected as a Participant, he will abide by such rules and regulation and pay the MLS fees and dues, including the nonmember differential (if any) as from time to time established. Under no circumstances is any individual or firm entitled to MLS participation or membership unless they hold a current, valid real estate broker's license and offer or accept compensation to and from other Participants, or are licensed or certified by an appropriate state regulatory agency to engage in the appraisal of real property. Use of information developed by or published by a Board Multiple Listing Service is strictly limited to the activities authorized under a Participant's licensure(s) or certification and unauthorized uses are prohibited. Further, none of the foregoing is intended to convey participation or membership or any right of access to information developed by or published by a Board Multiple Listing Service where access to such information is prohibited by law.

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17.4 Copyright Ownership.

All rights, title, and interest in every MLS compilation created by an MLS maintained solely by the SBAOR, shall at all times be solely vested in the SBAOR.

All rights, title, and interest in every MLS compilation created by any regional MLS of which the SBAOR is a member, shall at all times be jointly vested in each member association so long as they remain members of the SBAOR. Should any regional MLS of which the SBAOR is a member be dissolved, or should any member individually withdraw or be terminated by the other members, the entity that is no longer a member pursuant to the termination shall retain all prior-existing copyrights, but shall no longer maintain any other rights, title, or interest in the database of the regional MLS.

17.5 Supervision.

The MLS shall be operated in accordance with the MLS rules, regulations and policies, subject to approval of the Board of Directors.

17.6 Appointment of MLS Committee.

The SBAOR President shall appoint, subject to the confirmation of the Board of Directors, an MLS Committee of a minimum of five (5) REALTOR® members. All members of the committee shall be MLS participants or subscribers. The committee chair shall be designated by the President. The actions of the MLS Committee are subject to the approval of the Board of Directors.

17.7 Attendance.

Any committee member who fails to attend three (3) consecutive regular or special meetings of the committee, without excuse acceptable to the chair of the committee, shall be deemed to have resigned from the committee. The vacancy shall be filled by the procedure set forth in 17.6.

17.8 Access to Comparable and Statistical Information.

Providing the MLS generates such publications, SBAOR members who are actively engaged in real estate brokerage, management, mortgage financing, appraising, land development, or building, but who do not participate in the MLS, are nonetheless entitled to receive, by purchase or lease, information other than current listing information that is generated wholly or in part by the MLS including "comparable" information, "sold" information, and statistical reports. This information is provided for the exclusive use of SBAOR members and individuals affiliated with SBAOR members who are also engaged in the real estate business. Except as otherwise specified in MLS rules, regulations, or policies, this information may not be transmitted, re-transmitted or provided in any manner to any unauthorized individual, office, or firm. SBAOR members who receive such information are subject to the applicable provisions of the MLS rules, regulations, and policies whether they participate in the MLS or not.

ARTICLE 18 - INSPECTION OF CORPORATE RECORDS

18.1 Rights of Members Regarding Inspection and Copying of Membership Records.

Subject to California Corporations Code 8330, 8331, and 8332, a member may do either or both of the following for a purpose reasonably related to the members interest as a member:

- a) Inspect and copy the record of all the members names, addresses, and voting rights at reasonable times, upon five business days prior written demand upon the SBAOR, which demand shall state the purpose for which the inspection rights are requested; or
- b) Obtain from the Secretary of the SBAOR, upon written demand and tender of a reasonable charge, a list of the names, addresses, and voting rights of those members entitled to vote for the election of directors, as of the most recent record date for which it has been compiled or as of a date specified by the member subsequent to the date of demand. The demand shall state the purpose for which the list is requested. The Secretary shall make (or cause to be made by the Chief Executive Officer/Association Executive) the membership list available on or before the later of 10 business days after the demand is received or after the date specified therein as the date as of which the list is to be compiled. [This does not entitle members to an electronic copy of the membership list.]

18.2 Rights and Duties of the SBAOR Regarding Inspection and Copying of Membership Records.

The SBAOR may, within ten (10) business days after receiving a demand as described above, deliver to the person(s) making the demand a written offer of an alternative method of achieving the purpose identified in the demand without providing access to or a copy of the membership list. Any rejection of the SBAOR's offer shall be in writing and shall indicate the reasons the alternative proposed by the SBAOR does not meet the proper purpose of the demand which was made.

18.3 Rights and Duties Regarding Inspection of SBAOR's Accounting Books and Records.

The accounting books and records and minutes of proceedings of the members and the Board of Directors and the committees of the Board shall be open to inspection upon written demand on the SBAOR of any member at any reasonable time for a purpose reasonably related to the members' interests as a member.

18.4 Rights and Duties Regarding Inspection of SBAOR's Articles of Incorporation and Bylaws.

The SBAOR shall keep in its principal office in the State of California the original or a copy of its Articles of Incorporation and of these Bylaws as amended to date, which shall be open to inspection by members' at all reasonable times during office hours.

ARTICLE 19 - INDEMNIFICATIONS

19.1 Definitions.

For the purposes of this Article 19, the following definitions apply:

- Agent means any person who is or was a director, officer, employee, or other agent of the SBAOR, or is or was serving at the request of the SBAOR as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint

venture, trust, or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of that predecessor corporation;

- Proceeding means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and
- Expenses include, without limitation, attorney's fees and any expenses of establishing a right to indemnification under 19.4 or 19.5 of this Article.

19.2 Indemnification in Actions by Third Parties.

The SBAOR shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the SBAOR to procure a judgment in its favor, an action brought under California Corporations Code 5233, or an action brought by the Attorney General or a person granted REALTOR⁷ status by the Attorney General for any breach of duty relating to assets held in charitable trust) by reason of the fact that the person is or was an agent of the SBAOR, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if the person acted in good faith and in a manner the person reasonably believed to be in the best interests of the SBAOR and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the SBAOR, or that the person had reasonable cause to believe that the persons conduct was unlawful.

19.3 Indemnification in Actions by or in the Right of the SBAOR.

The SBAOR shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by, or in the right of the SBAOR, or brought under California Corporations Code 5233, or brought by the Attorney General or a person granted REALTOR® status by the Attorney General for breach of duty relating to assets held in charitable trust, to procure a judgment in its favor by reason of the fact that the person is or was an agent of the SBAOR, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if the person acted in good faith, in a manner the person believed to be in the best interests of the SBAOR and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. However, no indemnification shall be made under this 19.3:

- a) In respect of any claim, issue, or matter as to which the person is adjudged to be liable to the SBAOR in the performance of the persons duty to the SBAOR, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for the expenses which the court shall determine;
- b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

- c) Of expenses incurred in defending a threatened or pending action that is settled or otherwise disposed of without court approval, unless the action concerns assets held in charitable trust and is settled with the approval of the Attorney General.

19.4 Indemnification Against Expenses.

To the extent that an agent of the SBAOR has been successful on the merits in defense of any proceeding referred to in 19.2 or 19.3 above or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

19.5 Required Determinations.

Except as provided in 19.4, any indemnification under this Article 19 shall be made by the SBAOR only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in 19.2 or 19.3 by:

- a) Approval of a majority vote of a quorum of the directors, with any directors to be indemnified not being entitled to vote on the issue;
- b) Approval of a majority of a quorum of the members, with the persons to be indemnified not being entitled to vote on the issue; or
- c) Order of the court in which the proceeding is or was pending upon application made by the SBAOR or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application by the agent, attorney, or other person is opposed by the SBAOR.

19.6 Other Indemnification.

No provision made by the SBAOR to indemnify its or its subsidiary directors or officers for the defense of any proceeding, whether contained in the Articles, Bylaws, a resolution of members or directors, an agreement, or otherwise, shall be valid unless consistent with this Article 19. Nothing contained in this Article 19 shall affect any right to indemnification to which persons other than those directors and officers may be entitled by contract or otherwise.

19.7 Forms of Indemnification Not Permitted.

No indemnification or advance shall be made under this Article 19, except as provided in 19.2, 19.3, 19.4 or 19.6, in any circumstances in which it appears:

- a) That it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the members, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

19.8 Insurance.

The SBAOR shall have power to purchase and maintain insurance on behalf of any agent of the SBAOR against any liability asserted against or incurred by the agent in that

capacity or arising out of the agents status as such whether or not the SBAOR would have the power to indemnify the agent against that liability under the provisions of this Article 19.

19.9 Non-applicability to Fiduciaries of Employee Benefit Plans.

This Article 19 does not apply to any proceeding against any trustee, investment manager, or other fiduciary of an employee benefit plan in that person's capacity as such, even though that person may also be an agent of the SBAOR as defined in 19.1 of this Article. The SBAOR shall have power to indemnify that trustee, investment manager, or other fiduciary to the extent permitted by California Corporations Code 207(f).

ARTICLE 20 - EMERGENCY PROVISIONS

20.1 General.

The provisions of this Article 20 shall be operative only during a state emergency declared by the Governor of California or during a national emergency declared by the President of the United States or the person performing the Presidents function, or in the event of a nuclear, atomic, or other attack on the United States or a disaster making it impossible or impracticable for the SBAOR to conduct its business without recourse to the provisions of this Article 20. In such an event, the provisions of this Article 20 shall override all other Bylaws of the SBAOR in conflict with any provisions of this Article 20, and shall remain operative so long as it remains impossible or impracticable to continue the business of the SBAOR otherwise, but thereafter shall be inoperative; provided that all actions taken in good faith pursuant to such provisions shall thereafter remain in full force and effect unless and until revoked by action taken pursuant to the provisions of the Bylaws other than those contained in this Article 20.

20.2 Unavailable Directors.

All directors of the SBAOR who are not available to perform their duties as directors by reason of physical or mental incapacity or for any other reason or who are unwilling to perform their duties or whose whereabouts are unknown shall automatically cease to be directors, with the same effect as if they had resigned as directors, so long as their unavailability continues.

20.3 Authorized Number of Directors.

The authorized number of directors shall be the number of directors remaining after eliminating those who have ceased to be directors pursuant to 20.2 above.

20.4 Quorum.

The number of directors necessary to constitute a quorum shall be 51% of the directors remaining pursuant to 20.3.

20.5 Directors Becoming Available.

Any person who has ceased to be a director pursuant to the provisions of 20.2 and who thereafter becomes available to serve as a director shall automatically resume performing the duties and exercising the powers of a director unless the term of office of that person has expired in accordance with its original terms and a successor has been selected and qualified.

20.6 Notice of Directors Meetings During State of Emergency.

A meeting of the Board of Directors may be called by any director during the state of emergency, and notice of the meeting need be only as is feasible at the time and under the circumstances.

ARTICLE 21 - MISCELLANEOUS PROVISIONS

21.1 Effect of These Bylaws.

Upon adoption by the Board of Directors, these Bylaws shall replace and supersede all prior Bylaws and amendments thereto.

21.2 Construction and Definitions.

Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the general provisions of the California Corporations Code shall govern the construction of these Bylaws.

21.3 Inconsistencies.

Any inconsistencies between any of the SBAORs rules, regulations, or policies, and the Bylaws of the SBAOR shall be controlled by the Bylaws.

21.4 Fiscal Year and Elective Year.

The fiscal year and elective year of the SBAOR shall be the calendar year beginning January 1 and ending December 31.

21.5 Dissolution.

If the SBAOR is wound up and dissolved, the C.A.R. or any other non-profit tax exempt organization which the Board of Directors in its discretion may designate, shall receive the assets of the SBAOR remaining after (a) return of any assets held upon a valid condition requiring return, transfer, or conveyance, which condition has occurred or will occur; (b) disposition of any assets held in a charitable trust in compliance with the provisions of any trust under which those assets are held; (c) payment, or adequate provision for payment, of all taxes, penalties, debts, and liabilities; and (d) compliance with other provisions of applicable law.

**CERTIFICATE OF SECRETARY OF ADOPTION OF BYLAWS
OF THE SOUTH BAY ASSOCIATION OF REALTORS®, INC.,
A NON-PROFIT MUTUAL BENEFIT CORPORATION**

I certify that I am the duly elected and acting Secretary of the corporation named above and that the foregoing Bylaws, comprising 40 pages (excluding the cover sheet and table of contents), constitute the Bylaws of the South Bay Association of REALTORS® as duly adopted at a meeting of its Board of Directors held on February 25, 2009.

_____ [signature]
President/Secretary