



**South Bay Association of REALTORS®
Bylaws**

(revised June 21, 2023)

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BYLAWS OF THE SOUTH BAY ASSOCIATION OF REALTORS® , Inc.
(Revised June 21, 2023)

ARTICLE I – NAME
(MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)

Section 1. Name. The name of this organization shall be the South Bay Association of REALTORS®, Incorporated (hereinafter referred to as "SBAOR" or "A.O.R." The term "Association" is used when referring to any Association of REALTORS®).

Section 2. REALTOR® Membership Mark in Name of Association. Inclusion and retention of the registered collective membership mark "REALTORS®" in the name of SBAOR shall be governed by the Constitution and Bylaws of the NATIONAL ASSOCIATION OF REALTORS® (hereinafter "N.A.R.") as from time to time amended.

ARTICLE II - OBJECTIVES
(MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)

Section 1. Objectives. The objectives of SBAOR are:

(a) 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 or leasing, managing, appraising for others for compensation, building, developing or subdividing real estate.

(b) To promote and maintain high standards of conduct in the real estate profession as expressed in the Code of Ethics of N.A.R. (hereinafter "Code of Ethics").

(c) 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.

(d) To further the interests of home and other real property ownership.

(e) To unite those engaged in the real estate profession in this community with the CALIFORNIA ASSOCIATION OF REALTORS® (hereinafter "C.A.R.") and N.A.R. thereby furthering their own objectives throughout the state and nation, and obtaining the benefits and privileges of membership therein.

(f) 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 N.A.R.

**ARTICLE III - NATIONAL AND STATE MEMBERSHIPS
(MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)**

Section 1. Association Membership in N.A.R. and C.A.R. SBAOR shall be a member of N.A.R. and C.A.R. as defined in the governing documents of N.A.R. and C.A.R. By reason of SBAOR's membership in N.A.R. and C.A.R., each REALTOR® member of SBAOR shall be entitled to membership in N.A.R. and C.A.R. without further payment of dues. SBAOR shall continue as a member of N.A.R. and C.A.R., unless by a majority vote of all of its REALTOR® members the decision is made to withdraw, in which case N.A.R. and C.A.R. shall be notified in writing at least one month in advance of the date designated for the termination of SBAOR's membership.

Section 2. Ownership and Use of REALTOR® Membership Marks. SBAOR recognizes the exclusive property rights of N.A.R. in the terms REALTOR® and REALTORS®. SBAOR may use the terms while it is a member in good standing of N.A.R. SBAOR shall discontinue use of the terms in any form in its name, upon ceasing to be a member of N.A.R., or upon a determination by the Board of Directors of N.A.R. that it has violated the conditions imposed upon use of the terms.

Section 3. Adoption & Enforcement of N.A.R. Code of Ethics; Compliance with N.A.R. & C.A.R. Governing Documents & Policies. SBAOR adopts the N.A.R. Code of Ethics and agrees to enforce the Code of Ethics among its REALTOR® members. SBAOR and all of its members agree to abide by the Constitution, Bylaws, Rules and Regulations, Code of Ethics, and policies of N.A.R. and C.A.R.

Section 4. Other Association Rules, Regulations & Policies. SBAOR may adopt any Rules and Regulations or policies not inconsistent with the Constitution, Bylaws, Rules and Regulations, Code of Ethics, and policies of N.A.R. and C.A.R. and these Bylaws. Any inconsistencies between SBAOR's Rules and Regulations or policies and the Bylaws of SBAOR (hereinafter "Bylaws") shall be controlled by the Bylaws.

ARTICLE IV – JURISDICTION

Section 1. Description. The territorial jurisdiction of SBAOR as a member of 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.

Section 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 the Bylaws and those of N.A.R., and to protect and safeguard the property rights of N.A.R. in those terms.

**ARTICLE V - MEMBERSHIP, QUALIFICATION, APPLICATION AND ACCEPTANCE
(SECTIONS 1-3 AND 11-12 MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)**

Section 1. Classes of Membership. There shall be six (6) classes of membership: (1) REALTOR® Members; (2) Institute Affiliate Members; (3) Affiliate Members; (4) Public Service Members; (5) Honorary Members; and (6) Student Members.

Section 2. Qualifications for REALTOR® Members.

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, corporate officer of a real estate firm or office manager of a real estate firm acting on behalf of the firm’s principal(s); and

(c) Remain actively engaged in the real estate profession; (“engaged in the real estate profession” is defined, herein and throughout these Bylaws when this terminology is used as buying, selling, exchanging, renting or leasing, managing, counseling, appraising for others for compensation, building, developing or subdividing real estate); 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 convictions within the past ten years where the crime was punishable by death or imprisonment in excess of one year under the law under which the applicant was convicted (ten years is measured from the date of the conviction or the release of the applicant from the confinement imposed for that conviction, whichever is the later date).

2.2 REALTOR® members, whether primary or secondary, 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;
- (c) Remain employed by or affiliated as an independent contractor with a REALTOR® member who meets the requirements in Section 2.1 of this Article V for any Association in 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 convictions within the past ten years where the crime was punishable by death or imprisonment in excess of one year under the law under which the applicant was convicted (ten years is measured from the date of the conviction or the release of the applicant from the confinement imposed for that conviction, whichever is the later date).

2.3 REALTOR® members may be franchise corporate officers under the following circumstances: 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 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 Code of Ethics, except: obligations related to 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 SBAOR, C.A.R. and N.A.R..

2.4 Each firm shall designate in writing one "Designated REALTOR®" member who shall be responsible for the conduct of individuals affiliated with the firm and accountable to SBAOR for all duties and obligations of A.O.R. membership, including, but no limited to, certification as set forth in Article VI, Section 11. The "Designated REALTOR®" must be the sole proprietor, partner, corporate officer or an office manager acting on behalf of the firm's principal(s) and must have the authority to bind the firm in arbitrations and must meet all the other qualifications for REALTOR® membership set forth in Article V, Sections 2.1 of the Bylaws.

2.5 Association of Choice.

(a) Primary Membership. Licensees affiliated with a REALTOR® firm may choose as their "primary" Association any Association within California where the firm maintains a "Designated REALTOR®." An individual is a primary member of SBAOR if SBAOR pays C.A.R. and N.A.R. dues based on such member. One of the principals in a real estate firm must be a Designated REALTOR® in order for the licensees affiliated with the firm to select SBAOR as the "primary" Association.

(b) Secondary Membership. A REALTOR® who has joined another Association as a primary member may join this A.O.R. as a secondary member. There need not be a Designated REALTOR® member of this A.O.R. for licensees to select this A.O.R. 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.

2.6 Each sole proprietor, partner or corporate officer of the real estate firm who is actively engaged in the real estate profession within California or within a state contiguous thereto shall be required to become a REALTOR® member if any other sole proprietor, partner or corporate officer of such firm, partnership or corporation is a REALTOR® member within those states. Each is required to hold REALTOR® membership individually in a local Association in California if they meet all the other qualifications set forth in Article V, Sections 2.1, 2.2, or 2.3 of the Bylaws (except as provided in Section 2.7). Each Sole proprietor, partner or corporate officer of the real estate firm or franchise corporate officers shall be ineligible for any class of membership other than REALTOR® membership unless they otherwise qualify for Institute Affiliate membership as described in Article V, Section 3.

2.7 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 profession in connection with the same office, or any other offices within the jurisdiction of SBAOR in which one of the firm's principals holds REALTOR® membership, shall be required to hold REALTOR® membership unless otherwise qualified for Institute Affiliate Membership as described in Article V, Section 3.

Section 3. Qualifications 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.

Section 4. Qualifications for Affiliate Members. Affiliate members shall be real estate owners, and other individuals or firms engaged in activities related to the real estate profession, who do not qualify for REALTOR® membership. Affiliate members have interests requiring information concerning real estate and sympathy with the objectives of SBAOR

Section 5. Qualifications for Honorary Members. Honorary Members for Life
Honorary Members for Life shall be qualified REALTOR® members who have faithfully served and performed meritorious service for SBAOR and who possess two (2) or more of the following qualifications:

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

Section 6. Membership Application.

(a) Each applicant for membership shall submit an application in such manner and form as may be prescribed by SBAOR Board of Directors (hereinafter "Board of Directors") and give applicant's consent that the Board of Directors, through SBAOR Staff or otherwise, may obtain information about the applicant from any member, other persons or Associations and that any

information furnished to the Board of Directors by any member, person or Association shall not form the basis of any action for slander, libel or defamation of character. The Board of Directors, through Association Staff or otherwise, may consider the following in determining an applicant's qualifications for membership: (1) all final findings of N.A.R. Code of Ethics violations and violations of other membership duties in any other Association within the past three (3) years; (2) pending ethics complaints or hearings; (3) unsatisfied discipline pending; (4) pending arbitration requests or hearings; (5) unpaid arbitration awards or unpaid financial obligations to any other Association or Association Multiple Listing Service ("MLS").

(b) Applicants for membership shall be familiar with and agree to abide by the Bylaws and Rules and Regulations of SBAOR, the Bylaws of C.A.R. and the N.A.R. Constitution, Bylaws and Code of Ethics, to the extent they are applicable, and pass such reasonable and nondiscriminatory written examination thereon as may be required by Association Staff. Applicants must also attend an orientation program as may be required by the Board of Directors, Association Staff, or otherwise.

(c) Applicants for REALTOR® membership shall certify: that they 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 convictions 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, and (3) that they have not been suspended or expelled from an Association the past three years for violations of the N.A.R. Code of Ethics.

(d) 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:

1) They have no record of official sanctions rendered by the courts or other lawful authorities within the past three years for violations of:

- a) Civil rights laws;
- b) Real estate license laws; or
- c) Other laws prohibiting unprofessional conduct;

2) 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;

3) Whether they or their firms are subject to any pending bankruptcy proceedings; and

4) 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 "MLS")

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 SBAOR or its members, such applications may be rejected.

Section 7. Prior Membership Records. SBAOR may consider information received from other Associations and/or through C.A.R.'s Ethics Check database or otherwise in determining whether an applicant satisfies SBAOR's membership requirements. SBAOR may request from any Association where the applicant held prior membership, minimum "core" information including:

- (a) All final findings of Code of Ethics violations and violations of other membership duties within the past three (3) years;
- (b) Pending complaints alleging violations of the Code of Ethics or alleging violations of other membership duties;
- (c) Incomplete or (pending) disciplinary measures;
- (d) Pending arbitration requests (or hearings);
- (e) Unpaid arbitration awards or unpaid financial obligations to the Association or its MLS; and
- (f) Any misuse of the term REALTOR® or REALTORS® in the name of the applicant's firm.

SBAOR will also consider all final findings of Code of Ethics violations and violations of other membership duties in SBAOR within the past three (3) years before the date of the application.

Section 8. Application Review and Acceptance. The procedure for acceptance to membership shall be as follows:

(a) The Membership Department (a function of SBAOR staff) shall determine whether the applicant is applying for the appropriate class of membership. The Membership Department may also request "core" information as defined in Article V, Section 7, from any Association of which the applicant was previously a member. The Membership Department shall thereafter make a written report of its findings. The Membership Department shall conduct all proceedings with strict attention to the principles of due process and compliance with the Bylaws.

(b) Within twenty (20) days, the Membership Department shall report its recommendation to the applicant and 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 Board of Directors. The applicant shall also be notified of applicant's 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 Membership Department and then vote on the applicant's eligibility for membership. If the applicant appears, he or she may be represented by counsel, call witnesses

on applicant's behalf and make such statements as he or she deems relevant. 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. An application for Institute Affiliate Membership shall be acted upon by the Board of Directors within forty-five (45) days from the date of application for membership.

(d) If the Board of Directors determines that the application should be rejected, it shall record its reasons. 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 upon entry in a suit by SBAOR for a declaratory judgment by a court of competent jurisdiction of a final judgment declaring that the rejection violates no rights of the applicant.

(e) The Board of Directors, through its Membership Department or otherwise, may grant "provisional" membership to an applicant in instances the applicant for membership has unsatisfied discipline pending in another Association, provided all other qualifications for membership have been satisfied. Provisional members shall be considered REALTOR® and shall be subject to the same privileges and obligations of REALTOR® membership. The Board of Directors may reconsider the membership status of provisional members when all unsatisfied discipline has been resolved or if such matters are not fully resolved within six (6) months from the date that provisional membership is approved. At the time of reconsideration, if the Board of Directors determines that the individual has not satisfactorily resolved the unsatisfied discipline, at the discretion of the Board of Directors, membership may be terminated.

Section 9. 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 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, 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 90 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.

Section 10. Continuing Member Code of Ethics Training. Every three-year period, starting with the period from January 1, 2019 through December 31, 2021, and for successive three-year periods thereafter, each REALTOR® member shall be required to complete a course on the Code of Ethics, meeting the minimum criteria established by N.A.R. for biennial 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 and approved educational institution. REALTOR® members who have completed training as a requirement of membership in another Association and REALTOR® members who have completed the New Member Code of Ethics Orientation during any three-year cycle shall not be required to complete additional ethics training until a

new threeyear period commences.

Failure to satisfy this requirement shall be considered a violation of a membership duty and will result in suspension of membership for the first two months (January and February) of the year following the end of any three year cycle or until the requirement is met, whichever occurs sooner. On March 1 of that year, the membership of a member who is still suspended as of that date for failure to complete the training requirement will be automatically terminated.

Section 11. Status Changes.

(a) REALTORS® who change the conditions under which they hold membership shall be required to provide written notification to 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 which 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 SBAOR of their change in status, their application for change of status will terminate automatically unless otherwise so directed by the Board of Directors.

(b) If the licensed status of any member is terminated, member's membership in SBAOR shall terminate automatically. If any member ceases to meet any other ongoing qualification of membership, member's membership may be terminated by the Board of Directors. Each member shall have the affirmative duty to notify SBAOR of any changes in their licensee status.

(c) Any processing fee related to a change in membership status shall be reduced by an amount equal to any processing fee previously paid by the applicant. Dues shall be prorated from the first day of the month in which the member is notified of acceptance by the Board of Directors of member's change in status and shall be based on the new membership status for the remainder of the year.

Section 12. Resignation.

Resignations of members shall become effective when received in writing by the Board of Directors, provided, however, that if any member submitting the resignation is indebted to SBAOR for dues, fees, fines or other assessments of SBAOR or any of its services, departments, divisions or subsidiaries, SBAOR may condition the right of the resigning member to reapply for membership upon payment in full of all such monies owed.

Section 13. Death or Incapacitation of a Designated REALTOR® Member.

In the event of the death or incapacitation of a Designated REALTOR® member who is operating as an individual under member's own name, or a fictitious business name, the member's membership in SBAOR shall cease, and all multiple listings taken by member or member's sales associate(s) shall automatically terminate. However, in the event member's 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 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 processing fee need be paid. However, if the applicant intends to continue this business for more than six (6) months, then the regular processing fee and membership dues must accompany the application.

Section 14. 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 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 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 Section 6 above.

Section 15. Transfer of Membership. Transfer of membership is not allowed under any circumstance.

Section 16. Membership Information. Member contact information, including but not limited to electronic mail addresses, will not be shared by the Association with any vendor, Affiliate, Member or third party.

ARTICLE VI – PRIVILEGES AND DUTIES OF MEMBERSHIP

[SECTIONS 1, 2(b), 4, 5(a)-(c), 6 MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT]

Section 1 Member Compliance with Bylaws, Policies, Rules and Regulations. It shall be the duty of every member of SBAOR to safeguard and promote the standards, interests, and welfare of the A.O.R. and the real estate profession, and to protect against conduct that may cause a lack of public confidence in the real estate profession or REALTORS®. REALTOR® members also must abide by the governing documents and policies of SBAOR, C.A.R., and N.A.R., as well as the Code of Ethics of N.A.R., including the duty to arbitrate controversies arising out of real estate transactions as specified by Article 17 of the Code of Ethics. Any member of SBAOR may be reprimanded, fined, placed on probation, suspended, or expelled by the Board of Directors for a violation of the governing documents and policies of SBAOR. If a hearing is required it shall be held in accordance with the *California Code of Ethics and Arbitration Manual*.

Every REALTOR® member shall maintain a high level of integrity and adhere to SBAOR's membership criteria. Any violent act or threat of violence to person or property, hateful conduct, or acts

of moral turpitude impacting the public shall not be tolerated and may be cause for disciplinary action, up to and including termination of membership.

Although only REALTOR® members are subject to the Code of Ethics and its enforcement by SBAOR, all members are encouraged to abide by the principles established in the Code of Ethics and 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 SBAOR, C.A.R. or N.A.R.

Section 2. Member Discipline.

(a) Any member of SBAOR may be reprimanded, placed on probation, suspended, or expelled for harassment of an Association or MLS employee or Association officer or director after an investigation in accordance with the procedures of SBAOR. As used in this section, harassment means any verbal or physical conduct including threatening or obscene language, unwelcome sexual advances, stalking, actions including strikes, shoves, kicks, or other similar physical contact, or threats to do the same, or any other conduct with the purpose or effect of unreasonably interfering with an individual's work performance by creating a hostile, intimidating or offensive work environment. The decision of the appropriate disciplinary action to be taken shall be made by the investigatory team comprised of the President, President-Elect and one member of the Board of Directors selected by the highest-ranking officer not named in the complaint, upon consultation with counsel for SBAOR. Disciplinary action may include any sanction authorized in the *California Code of Ethics and Arbitration Manual*. If the complaint names the President or President-Elect, they may not participate in the proceedings and shall be replaced by the Immediate Past President or, alternatively, by another member of the Board of Directors selected by the highest-ranking officer not named in the complaint. The Association Anti-Harassment Policy contained in the Association Policies and Procedures Manual shall also control and is incorporated herein by reference. In the event of any conflict between this Section and the Anti-Harassment Policy, the Anti-Harassment Policy shall control.

(b) Any REALTOR® member of 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 that the discipline imposed is consistent with N.A.R. policy as set forth in the *California Code of Ethics and Arbitration Manual*:

1) 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, SBAOR Bylaws, or any applicable SBAOR rule, regulation, or policy;

2) Upon 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 member's 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;

3) For any violation of subsection (1) 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; or

4) For any violation of subsection (1) 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 member's license.

(c) Discipline of Non-REALTOR® Members.

Any SBAOR member 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:

1) For violation of any duty of membership, SBAOR Bylaws, or any applicable SBAOR rule, regulation, or policy; or

2) 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 member's 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.

Section 3. Resignation with Pending Arbitration or Disciplinary Hearing. If a member resigns from SBAOR or otherwise causes membership to terminate with a disciplinary complaint pending, the complaint shall be processed until the decision of the A.O.R. with respect to disposition of the complaint is final by this A.O.R. (if respondent does not hold membership in any other Association) or by any other Association in which the respondent continues to hold membership. If an ethics respondent resigns or otherwise causes membership in all Associations to terminate before an ethics complaint is filed alleging unethical conduct occurred while the respondent was a REALTOR®, the complaint, once filed, shall be processed until the decision of the Association with respect to disposition of the complaint is final. In any instance where an ethics hearing is held after an ethic respondent's resignation or membership termination, any discipline ratified by the Board of Directors shall be reported to Ethics Check and held in abeyance until such time as the respondent rejoins an Association of REALTORS®.

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.

Section 4. Voting Rights and Eligibility for Elective Office. Only REALTOR® members, whether primary or secondary, in good standing are entitled to vote and to hold elective office in SBAOR. For the purposes of these bylaws, the term "good standing" means the member

satisfies the obligations of REALTOR® members set forth in Article VI, Section 1, is current with all financial and disciplinary obligations to the A.O.R. and MLS, has completed any new members requirements, and complies with N.A.R.'s trademark rules.

Each member shall be entitled to one vote on each matter submitted to a vote of the members. Proxy voting is not permitted. 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 SBAOR from either C.A.R. or N.A.R.;
- d) Any unbudgeted capital expenditure in excess of \$100,000;
- e) Disposition of all or substantially all of the assets of SBAOR;
- f) Merger or dissolution of SBAOR;
- g) Other matters as required by California law; and
- h) Other issues as decided by the Board of Directors.

Section 5. Privileges and Duties of REALTOR® Members.

(a) It shall be the duty and responsibility of every REALTOR® member of SBAOR to abide by the Constitution and Bylaws of C.A.R., the Constitution and Bylaws of N.A.R. and to abide by the Code of Ethics as set forth in Article VI, Section 1 of these Bylaws.

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

(c) REALTOR® members in good standing may use the terms REALTOR® and REALTORS® subject to the provisions of Article VIII.

(d) If a REALTOR® member who is a sole proprietor, principal in a firm, partner in a partnership, officer of a corporation, or branch office manager is suspended or expelled, member's 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: (1) the disciplined member severs member's connection with the firm, partnership or corporation; or (2) 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:

- (1) the disciplined member severs member's connection with the firm, partnership, or corporation;
- (2) the disciplined member relinquishes management control of the firm; or

(3) the non-principal REALTOR® member elects to sever member's 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 or branch office manager is suspended or expelled, the use of the terms REALTOR® or REALTORS® by the firm, partnership or corporation shall not be affected.

Removal of an individual from any form or degree of management control must be certified to SBAOR by the disciplined member and by the individual who is assuming management control. The signatures on such certification must 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.

(e) 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 VI, Section 5 shall apply.

Section 6. 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.

Section 7. 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.

Section 8. Privileges and Duties of Honorary Members. Honorary membership shall have the rights and privileges and be subject to the obligations and as prescribed by the Board of Directors.

Section 9. Certification by Designated REALTOR®. Designated REALTORS® shall certify to SBAOR during the first month of each fiscal year, on a form provided by SBAOR, a complete listing of all individuals licensed or certified under California law, with the REALTOR® firm(s), and shall designate the primary association, if any, for each individual. These declarations shall be used for purposes of calculating dues and assessments under Article IX, Section 2 of the Bylaws. Designated REALTOR® members shall also notify 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).

ARTICLE VII - PROFESSIONAL STANDARDS AND ARBITRATION **(MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)**

Section 1. Professional Standards and Arbitration. The responsibility of 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.

Section 2. Member Compliance with N.A.R. and C.A.R. Constitution, Bylaws, Policies, Rules, Regulations, and Code of Ethics. It shall be the duty and responsibility of every REALTOR® member of this A.O.R. to abide by the governing documents and policies of SBAOR, C.A.R., 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 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 SBAOR all disputes with any other member or member of the public subject to the conditions set forth in the *California Code of Ethics and Arbitration Manual*.

**ARTICLE VIII - USE OF THE TERMS REALTOR® AND REALTORS®
(MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)**

Section 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 N.A.R. and to the Rules and Regulations prescribed by its Board of Directors. SBAOR shall have the authority to control, jointly and in full cooperation with N.A.R., use of the terms within its jurisdiction. Any misuse of the terms by members is a violation of a membership duty and 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 an Arbitration Manual.

Section 2. Jurisdictional Limits on Use of REALTOR® Membership Marks. REALTOR® members of 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.

Section 3. Use of REALTOR® Membership Marks Dependent on Status of Firm Principals. 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.

(a) 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.

Section 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 N.A.R.

**ARTICLE IX - DUES AND ASSESSMENTS
(SECTIONS 1-2 MAY NOT BE AMENDED WITHOUT C.A.R. CONSENT)**

Section 1. Application Fee. The Board of Directors may adopt a reasonable processing fee for membership in 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 SBAOR and shall become the property of SBAOR upon final approval of the application. SBAOR shall collect all C.A.R. and N.A.R. new member and application fees, if any.

Section 2. Dues and Assessments.

(a) The Board of Directors shall determine annually the amount of annual dues and assessments, if any, to be paid by each class of membership.

b) The dues and assessments 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:

- 1) Are employed by or affiliated as independent contractors, or who are otherwise directly or indirectly licensed or certified with such REALTOR® member; and
- 2) Are not REALTOR® members of any Association of REALTORS® within California or a state contiguous thereto, or Institute Affiliate members of SBAOR. In calculating the dues and assessments payable to SBAOR by a Designated REALTOR® member, non-member licensees as defined in (1) and (2) of this subparagraph shall not be included in the computation of dues and assessments if the designated REALTOR® has paid dues and assessments 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 SBAOR in writing of the identity of the Association of REALTORS® to which dues and assessments have been remitted.

(c) In accordance with Article VI Section 11, the Designated REALTOR® has an affirmative and ongoing duty to keep dues and assessment formulations current and accurate and shall notify SBAOR within 30 days of any changes, additions or deletions of any real estate licensees

and licensed or certified appraisers employed by or affiliated as independent contractors or who are otherwise directly or indirectly licensed or certified with such Designated REALTOR®.

(d) A REALTOR® with a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTOR® for consideration on a substantially exclusive basis (“LFRO”) 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 the real estate profession as defined in Article V, Section 2 (c) (buying, selling, exchanging, renting or leasing, managing, counseling, appraising for others for compensation, building, developing or subdividing real estate) and are not participants or subscribers in a Multiple Listing Service (“MLS”). The individuals disclosed on such form shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this Article IX, Section 2 (b) and shall not be included in calculating the annual dues and assessments of the Designated REALTOR®. It shall be considered a violation of a membership duty for a REALTOR® to falsely certify LFRO status. Moreover, the exemption for any licensee included on the certification form for a LFRO shall automatically be revoked upon the individual being engaged in the real estate profession as defined in Article V, Section 2 (c) other than for referrals, or for being a participant or subscriber of any MLS, and dues and assessments for the entire current fiscal year shall be immediately due and payable in full. Licensee may not reapply for a LFRO exemption until the following fiscal year.

(e) A REALTOR® with a direct or indirect ownership interest in an entity engaged in the real estate business which provides services for which a Mortgage Loan Originators license endorsement (MLO) is required may annually file with the association, on a form approved by the association, a list of the MLO licensees and certify that the listed licensees:

- (1) have a MLO license or endorsement,
- (2) are not engaged in the real estate profession as defined in Article V, Section 2 (c) (buying, selling, exchanging, renting or leasing, managing, counseling, appraising for others for compensation, building, developing or subdividing real estate) except for licensed activities for which an MLO is required, and
- (3) are not participants or subscribers in any Multiple Listing Service. The individuals disclosed on such forms shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this Article IX, Section 2(b) and shall not be included in calculating the annual dues and assessments of the Designated REALTOR®. It shall be considered a violation of a membership duty for a REALTOR® to falsely certify MLO status. Moreover, the exemption for any licensee, included on the certification form for an MLO exemption, shall automatically be revoked upon the individual being engaged in the real estate profession as defined in Article V, Section 2 (c) other than in those activities for which an MLO license or endorsement is required or upon their joining an MLS, and dues and assessments for the entire current fiscal year shall be immediately due and payable in full. Licensee may not reapply for a MLO exemption until the following fiscal year.

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

(g) The annual dues and assessments of REALTOR® members shall not include any allocation for C.A.R. if the member is a member of an Association of C.A.R. and that Association has paid C.A.R. dues and assessments for the member.

(h) The annual dues and assessments of REALTOR® members shall not include any allocation for N.A.R. if the member is a member of an Association of N.A.R. and that association has paid N.A.R. dues and assessments for the member.

(i) 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 subparagraph (b) of this Section) in the office where the Designated REALTOR® holds membership, and any other offices of the firm located within the jurisdiction of this Association.

(j) The annual dues and assessments of each Institute Affiliate Member shall be as established in Article II of the Bylaws of the NATIONAL ASSOCIATION OF REALTORS®.

Section 3. Dues and Assessments Payable. Dues and assessments shall be computed from the first day of the month in which a member is notified of acceptance and shall be pro-rated for the remainder of the year. Thereafter dues and assessments for all members shall be payable annually in advance by December 31st. Any and all payable dues, fees, fines and other assessments owed to SBAOR or its MLS service must be brought current at the time of renewal. MLS renewal will not be processed for a delinquent Member, unless the Member has moved to an “MLS only” broker. Membership renewal will not be processed unless any and all payables owed by the member are brought current.

After the initial annual billing, in the event additional real estate licensees or licensed or certified appraisers become affiliated with the Designated REALTOR®, the dues and assessments of the Designated REALTOR® shall be adjusted for each real estate licensee or licensed or certified appraiser employed by or affiliated as independent contractors or otherwise directly or indirectly licensed or certified with such Designated REALTOR® and added to their firm as shown on the DRE or BREA database. Any additional amount owing shall become immediately due and payable upon the date of affiliation even if no invoice is generated (i.e. the date of affiliation is the “due date”).

Section 4. Late and Reinstatement Fees. If a member fails to pay their annual membership dues in full before January 15th, a late fee will be assessed in addition to the annual dues amount. If the annual dues are not paid before January 15th, the member’s local, C.A.R. and N.A.R. membership rights will be suspended, along with access to SBAOR services. On and after February 15th, the member may only be reinstated by paying the annual dues, the local late fee,

and the local reinstatement fee. If the 15th of January falls on a Friday, weekend, or holiday, the suspension will be processed on the next business day. Any annual dues not paid before February 28th will result in a C.A.R. late fee. If the suspended member has not reinstated member's membership by the last day of the calendar year, the member shall be terminated.

Section 5. 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.

Section 6. 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.

Section 7. Nonpayment of Financial Obligations – Non-Dues.

(a) **Multiple Listing Service Fees.** If a member does not pay their Multiple Listing Service fees on or before the due date, the member's access to the Multiple Listing Service shall be immediately suspended, and a late fee charged per Association published policies and procedures.

(b) **Other charges.** Prior to renewal of Association membership or renewal of Multiple Listing Service participation, all unpaid financial obligations to the Association must be satisfied. Local member benefits, including but not limited to member pricing in the Association Store, or participation in Association sponsored seminars, shall be withheld from a member with unpaid financial obligations to the Association.

Section 8. Application for Reinstatement by a Member Terminated for Nonpayment of Financial Obligations. A former member who has had member's membership terminated for nonpayment of dues may apply for reinstatement in a manner prescribed for new applicants for membership.

Section 9. Suspension or Termination Due to Broker Non-Compliance. When a Broker's office access to SBAOR, C.A.R. and NAR services is suspended due to broker non-compliance with C.A.R. variable dues formula policies, a \$1,000 reactivation fee shall be paid by the broker prior to reactivation of the broker's office. The reactivation fee shall increase by an additional \$1,000 for each subsequent reactivation during the Broker's membership with SBAOR.

ARTICLE X - OFFICERS AND DIRECTORS

Section 1. Officers. The governing officers of SBAOR shall be: President, President-Elect, Secretary and 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 SBAOR Secretary, otherwise no

person may hold more than one office at the same time. 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.

(a) **Term.** 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 SBAOR but is not an officer or member of the Board of Directors and shall have no vote. The President-Elect shall automatically ascend to the presidency at the end of President-Elect's term as President-Elect, unless for some reason the President-Elect were stripped of office while President-Elect.

(b) **Criteria.** Unless otherwise waived by the Board of Directors, the President shall have two years' experience as a member of the Board of Directors during the last five years prior to taking office. The President-Elect shall have two years' experience as a member of the Board of Directors during the last five years prior to taking office. The Secretary and Treasurer shall have one year of experience as a member of the Board of Directors during the last five years prior to taking office. All Officers must meet and continue to satisfy their Board of Director membership obligations set forth in Section 3 below for the duration of their time as Officers.

Section 2. Powers and Duties of Officers. The powers and duties of the officers shall be such as their titles, by general usage, would indicate and such as may be assigned to them by the Board of Directors. It shall be the duty of the Secretary to keep the records of the Board of Directors and to carry on all necessary correspondence with N.A.R. and C.A.R.

a. 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 C.A.R.

b. 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 President-Elect's term as President-Elect. Should the President be unable to complete President's 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 X(6)(B) herein. The President-Elect shall also automatically be named a director of C.A.R.

c. Secretary.

The Immediate Past President shall serve as the Secretary. In the absence or inability of the Immediate Past President to serve, the Board of Directors may

appoint a Director to serve as 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:

- 1) 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 meetings;
- 2) Keeping, at the principal office in the State of California the original or a copy of SBAOR's Articles of Incorporation and Bylaws, as amended to date; and
- 3) Conducting all necessary correspondence with N.A.R. and C.A.R.

d. Treasurer.

The President shall appoint a Director to serve as Treasurer. The Treasurer is the chief financial officer of 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:

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

e. Executive Committee. The President, President-Elect, Immediate Past President, and Secretary shall comprise the Executive Committee. The Executive

Committee shall be responsible to decide on Association Executive compensation and other contract terms, and shall review the performance of the Association Executive on an annual basis and per the Association Executive employment agreement. The Executive Committee shall also be responsible to meet regarding other matters as may be decided by the Board of Directors.

Section 3. Board of Directors. The governing body of SBAOR shall be a Board of Directors consisting of thirteen (13) REALTOR® members of SBAOR. Two of the thirteen shall be the President and President-Elect, who will be elected by the membership. 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. All directors, including the officers, have one vote.

Section 4. Powers and Duties of the Board 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 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 SBAOR to any person or persons, a management company, or committees however composed, provided that the activities and affairs of 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 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 C.A.R.;
- b) To conduct, manage, and control the affairs and activities of 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 SBAOR as limited herein;
- d) To enter into contracts on behalf of 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.

Section 5. 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) The Member must have been a member of 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 immediately preceding starting the term of office;
- b) The Member must have had no violations of the Code of Ethics or Bylaws of SBAOR, nor have been disciplined by a letter of reprimand, suspension, or expulsion recommended by the Professional Standards Committee.
- 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 SBAOR for two (2) full years, of the last five (5) years, before starting their terms of office.
- d) If a Director is appointed by the Board or President, the Board of Directors may exempt a Member from strict compliance with the above qualifications only upon the approval of 2/3 of the entire Board of Directors.
- e) An officer must also be a current Director.
- f) Each Director shall at the beginning of the calendar year or as soon thereafter as possible sign a confidentiality promise and acknowledgement of C.A.R. antitrust policies.
- g) Each Director must prior to commencing service as a Director sign a commitment to honor the SBAOR Code of Conduct.
- h) Other factors which may be considered in the nomination or appointment of Directors can include:
 1. Reputation in the community
 2. Contribution to the profession
 3. Past experience in governance of this or other Associations of Realtors®
 4. Support of CAR legislative advocacy, including but not limited to RAF support
 5. Volunteer work supporting the Association
 6. The manner of Committee work for the Association in previous years
 7. Demonstrated ability to work with others and experience in volunteer board governance

Section 6. Election of Officers and Directors.

- a) **Delivery of Notices, Reports and Ballots.** All notices, reports and ballots in connection with the election or removal of officers and directors may be accomplished by personal delivery, first class mail, facsimile, electronic mail or other electronic means.

- b) 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 (other than the President, since the President-Elect automatically ascends to the office of President) 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.
- c) 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.
- d) Election by Acclamation.** In the event the time for nomination by petition has passed and the number of people nominated for the Board is not more than the number of open Directors seats, with all open Director seats up for vote remaining uncontested, the Board of Directors may in a meeting of the Board of Directors in its discretion authorize a vote by acclamation and, without further action, declare that those nominated and qualified to be elected have been elected. In the event of election by acclamation SBOR shall announce the Board of Directors action to the membership.
- e) Electronic Voting.** SBAOR may conduct membership votes via an electronic balloting system in compliance with applicable law.

Section 7. Vacancies.

(a) 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.

For the purpose of this section, “resignation” means:

- 1) If the Director is not a member of SBAOR in good standing;
- 2) A written statement by the Director, tendered to the Association Executive or President, expressing an intent to resign immediately; or

3) If accepted by a majority vote of the Board, two missed regular Board meetings in one year.

(b) Vacancy in the Position of President. Should the President be unable to complete President's 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.

(c) Vacancy in the Position of President-Elect. If the President-Elect is unable to complete President-Elect's 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.

(d) Vacancies on the Board of Directors. Vacancies on the Board of Directors, including vacancies by removal, shall be filled by Presidential appointment, which need only be ratified by a simple majority vote of the Board of Directors.

Section 8. Removal of Directors. A director may be removed with or without cause from office under the following procedure:

a) A petition requiring the removal of a 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 SBAOR shall be held. The sole business of the meeting shall be to consider the removal of the 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 two-third vote of members present and voting shall be required for removal from office.

Section 9. Disciplinary Action. The Board of Directors may impose disciplinary action regarding a Director who violates an approved Code of Conduct adopted by the Board of

Directors. Such discipline may include private censure, public censure, suspension of CAR or NAR travel reimbursement, suspension from a specified number of meetings of the Board, or suspension from attendance at closed Executive Session meetings. Disciplinary action shall only be imposed upon the approval of at least eight (8) Directors and the disciplined Director shall be informed of the reason for the discipline. A Director being considered for disciplinary action may not attend the portion of the Board meeting in which such matter is being considered and discussed.

Section 10. Firm Limitations. No more than three members under the same Designated REALTOR®, brokerage or firm may hold positions as officers and/or directors on the Board of Directors at any one time.

Section 11. Term Limitations. No director shall serve more than two (2) consecutive three-year terms, although an individual may serve as a director as many as four (4) total terms during their membership in SBAOR. However, service as President-Elect, President, or Immediate Past President shall not be considered a “term” for the purposes of this Section.

Section 12. No Compensation. The officers and directors are volunteers and shall not receive any salary or other monetary compensation for serving as officers of SBAOR. The officers and directors may, however, be reimbursed for reasonable, authorized and documented expenses they incur in carrying out their duties to SBAOR, as per Board policy.

Section 13. Expenditures, Investment Policy. The Board of Directors shall administer the day-to-day finances of SBAOR. No unbudgeted capital expenditure in excess of \$100,000 may be made unless authorized by a majority of 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 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 SBAOR’s 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.

Section 14. Deposits and Withdrawals. All monies received by SBAOR for any purpose shall be deposited to the credit of 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.

Section 15. 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 SBAOR, and, with reasonable advance notice, to inspect the physical properties of SBAOR.

Section 16. Meetings Of The Board Of Directors

- a) 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.
- b) 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 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.
- c) 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.
- d) Attendance Requirement. Absence from two regular board meetings in a calendar year, unless for a good cause submitted to the Board of Directors in writing, may authorize the Board of Directors in its sole and absolute discretion to declare the office of such director vacant.
- e) 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.

- f) Participation in Meetings by Virtual Platform. Members of the Board may participate in a directors meeting through virtual platform. Members of the Board of Directors must have their video and audio functions engaged during participation in Board meetings.
- g) 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.
- h) 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. Such consents may be communicated to SBAOR electronically. The written consent or consents shall be filed with the minutes of the proceedings of the members.
- i) Business Judgment Rule. Directors shall observe the business judgment rule, presently found at Corporations Code Section 5231(a), and shall perform the duties of a director, including duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner that director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.
- j) Attendance by Members. Meetings of the Board of Directors are not open to attendance by Members, except upon invitation of the Board.
- k) Opportunity for Members to address the Board. A Member in good standing may appear at a Board meeting and address the Board of Directors, provided the Member makes the request at least four calendar days prior to the Board meeting. The Member may have three (3) minutes to address the Board of Directors. The Chair may limit the length of individual member comments and may in the Chair's discretion impose a time limit upon the overall meeting time devoted to Member comments, to ensure sufficient time is preserved for the remainder of the Board's agenda and to try to be equitable in allocating time if there are multiple Members wishing to speak.
- l) Executive Session. The Board shall meet in closed Executive Session to discuss:

- a. Legal matters involving attorney advice;
- b. Any pending negotiations with parties outside the Association;
- c. Personnel matters upon which the Association Executive seeks Board input;
- d. Any Member disciplinary matters requiring Board action; or
- e. Such other matters which must remain confidential in order to avoid harming Association Staff, Association Members, or the Association.
- f. A Member may not attend or speak to the Board during Executive Session.

ARTICLE XI – MEETINGS OF MEMBERS

Section 1. Annual Meetings of Members.

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

Section 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.

Section 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.

Section 4. Electronic Notice of Meetings.

SBAOR may publish notice of membership meetings in an obvious location on the SBAOR website, or, if applicable, SBAOR 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 date the item is posted on the website. Notice by e-mail shall be deemed to have been given on the date it was sent by 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.

Section 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.

Section 6. Quorum for Membership Meetings.

A quorum for the transaction of business by the general membership shall consist of ten percent (10%) 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.

Section 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 vote at that time or ratification of the vote taken at the previous Board of Directors meeting.

Section 8. Election Committee. In advance of the election, the President, with the approval of the Board of Directors, shall appoint an Election Committee of three (3) or five (5) REALTOR® members, one of which is the Secretary, and 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:

1. Determining the number of members who vote;
2. Receiving ballots;
3. Determining the authenticity and validity of ballots;
4. Hearing and determining all challenges and questions in any way arising in connection with the right to vote;
5. Counting, verifying and tabulating all votes or consents, or receiving the voting data from the Association's electronic voting provider. Tabulation of votes is to take place at the SBAOR office within 48 hours of the date of the annual election meeting;
6. Determining the result; and
7. 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.

Alternatively, the Board of Directors may retain a professional electronic elections firm or other professional inspector of elections and delegate the aforementioned election duties to that firm.

Section 9. 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 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, electronic means 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.

Section 10. Robert's Rules of Order. Robert's Rules of Order, latest edition, shall be recognized as the authority governing the procedure of meetings of the members of SBAOR, in all instances wherein its provisions do not conflict with the California Corporations Code or these Bylaws.

Section 11. Actions of Members Without a Meeting. Any action that may be taken at any regular membership meeting or special membership meeting may be taken without a meeting if the association distributes a written or electronic ballot to every member entitled to vote on the matter. Approval by written or electronic ballots shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the Quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve such action at a meeting had the vote been taken in a face-to-face 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 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 XII - COMMITTEES

Section 1. Standing Committees. The President shall appoint from among the REALTOR® members, subject to confirmation by the Board of Directors, the following standing committees:

| | | |
|----------------------|--------------------|-----------------------------|
| Affiliates in Action | Global | MLS |
| Budget and Finance | Grievance | Professional Standards |
| Commercial | Government Affairs | Young Professionals Network |
| Community | | |

Section 2. Special Committees. The President shall appoint from among the REALTOR® members, subject to confirmation by the Board of Directors, special committees as deemed necessary.

Section 3. Term of Committee Appointments, Attendance. Committee members shall be appointed to one-year terms. The Chair may deem the failure to attend the entirety of three committee meetings in one calendar year as a resignation from the committee. For the purpose of this section, “entirety” means arriving no more than ten minutes late or leaving more than ten minutes prior to adjournment.

Section 4. Organization. All committees shall be of such size and shall have duties, functions and powers as assigned by the Board of Directors except as otherwise provided in these Bylaws.

Section 5. Authority. All Committees have no authority except as may be delegated by the Bylaws, Policies and Procedures Manual, or by action of the Board of Directors.

Section 6. President. The President shall be an ex-officio non-voting member of all standing committees and shall be notified of their meetings.

Section 7. Removal. The President shall have the power, subject to confirmation by the Board of Directors, to remove any member from a committee.

ARTICLE XIII - FISCAL AND ELECTIVE YEAR

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

Section 2. Elective Year. The elective year shall be the calendar year beginning January 1 and ending December 31.

ARTICLE XIV - RULES OF ORDER

Section 1. Robert's Rules of Order. Robert's Rules of Order, latest edition, shall be recognized as the authority governing the meetings of SBAOR, its Board of Directors, and

committees, in all instances wherein its provisions do not conflict with the California Nonprofit Corporations Code or these Bylaws.

ARTICLE XV - AMENDMENTS

These Bylaws may be amended by two-thirds vote of the Board of Directors at a regular meeting, provided the substance of such proposed amendment or amendments shall be plainly stated in a notification to the Members at least 30 days in advance of the Board meeting at which the amendment is to be considered, with the notification containing the exact text of the proposed amendment. Such notification may be via electronic mail or by publication on the Association web site. Article III may be amended only by a majority of all REALTOR® Members and subject to consent of C.A.R.. Any changes to these Bylaws which are mandated by the National Association of REALTORS® shall automatically be incorporated into these Bylaws and do not require the Board of Directors approval. Any amendment adopted will be published to the members, via electronic mail or via the Association web site, within 30 days of adoption.

ARTICLE XVI - DISSOLUTION

Section 1. Dissolution. If SBAOR is wound up and dissolved, 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 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.

ARTICLE XVII - MULTIPLE LISTING SERVICE

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

ARTICLE XVIII - INDEMNIFICATIONS

Section 1. Definitions.

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

- “Agent” means any person who is or was a director, officer, employee, or other agent of SBAOR, or is or was serving at the request of 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 Sections 4 or 5 of this Article.

Section 2. Indemnification in Actions by Third Parties. 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 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 REALTOR® 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 authorized agent of 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 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 SBAOR, or that the person had reasonable cause to believe that the persons conduct was unlawful.

Section 3. Indemnification in Actions by or in the Right of SBAOR.

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 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 authorized agent of 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 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 18.3:

- a) In respect of any claim, issue, or matter as to which the person is adjudged to be liable to SBAOR in the performance of the persons duty to 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.

Section 4. Indemnification Against Expenses. To the extent that an agent of SBAOR has been successful on the merits in defense of any proceeding referred to in 18.2 or 18.3 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.

Section 5. Required Determinations. Except as provided in 18.4, any indemnification under this Article shall be made by 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 Section 2 or 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 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 SBAOR.

Section 6. Other Indemnification. No provision made by 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. Nothing contained in this Article shall affect any right to indemnification to which persons other than those directors and officers may be entitled by contract or otherwise.

Section 7. Forms of Indemnification Not Permitted. No indemnification or advance shall be made under this Article, except as provided in Sections 2, 3, 4 or 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.

Section 8. Insurance. SBAOR shall have power to purchase and maintain insurance on behalf of any agent of SBAOR against any liability asserted against or incurred by the agent in that capacity or arising out of the agent's status as such whether or not SBAOR would have the power to indemnify the agent against that liability under the provisions of this Article.

Section 9. Non-applicability to Fiduciaries of Employee Benefit Plans. This Article 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 SBAOR as defined in Section 1 of this Article. SBAOR shall have power to indemnify that trustee, investment manager, or other fiduciary to the extent permitted by California Corporations Code 207(f).

ARTICLE XIX - EMERGENCY PROVISIONS

Section 1. General. The provisions of this Article 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 SBAOR to conduct its business without recourse to the provisions of this Article. In such an event, the provisions of this Article shall override all other Bylaws of SBAOR in conflict with any provisions of this Article, and shall remain operative so long as it remains impossible or impracticable to continue the business of 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.

Section 2. Unavailable Directors. All directors of 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.

Section 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 Section 2 above.

Section 4. Quorum. The number of directors necessary to constitute a quorum shall be 51% of the directors remaining pursuant to Section 3.

Section 5. Directors Becoming Available. Any person who has ceased to be a director pursuant to the provisions of Section 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.

Section 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 XX - MISCELLANEOUS PROVISIONS

Section 1. Effect of These Bylaws. Upon adoption by the Board of Directors, these Bylaws shall replace and supersede all prior Bylaws and amendments thereto.

Section 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.

Section 3. Inconsistencies. Any inconsistencies between any of SBAOR's rules, regulations, or policies, and the Bylaws of SBAOR shall be controlled by the Bylaws.

Section 4. Principal Office. The address of 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 SBAOR, but need not be noted in the Bylaws.

Section 5. 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 SBAOR, but need not be noted in the Bylaws.

ARTICLE XXI - CALIFORNIA ASSOCIATION OF REALTORS® DIRECTORS; NATIONAL ASSOCIATION OF REALTORS® DIRECTORS; OTHER DELEGATES

Section 1. Appointment of C.A.R. Directors.

The President and President-Elect shall automatically be named C.A.R. directors. The Executive Committee comprised of the President, Immediate Past President, and President-Elect 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 SBAOR.

Section 2. Qualifications of C.A.R. Directors. To be eligible for appointment as a C.A.R. director, a person must have been a Member in good standing of SBAOR for a minimum of three years and either a member of the Board of Directors of SBAOR for one year, or a chair or member of an SBAOR committee for two years immediately preceding the appointment. However, these qualifications (except the qualification of a current Member in good standing) may be waived by approval of 2/3 of the entire Board of Directors.

Section 3. 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.

Section 4. N.A.R. Directors, Eligibility, Term.

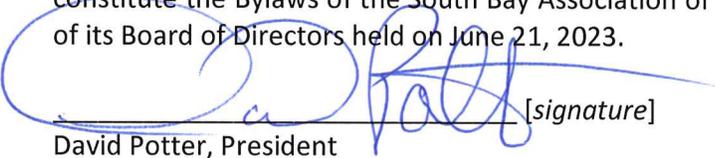
In order to be eligible for appointment as a N.A.R. director, a REALTOR®, before starting director's term of office, must have been a SBAOR member for a minimum of three years and either a member of the Board of Directors for one year or a member of a SBAOR committee for two years and a C.A.R. director for at least two years. N.A.R. directors are interviewed and selected by the Board of Directors. The Board of Directors may grant the applicant a one, two or three-year seat depending on availability. The President, upon ratification by the Board of Directors, may remove or replace a NAR Director.

Section 5. Appointment of Delegates to Organizations Other Than C.A.R. or N.A.R. If SBAOR is permitted to designate delegates to any organization other than C.A.R. or N.A.R., such delegates shall be appointed by the Executive Committee, subject to the ratification of the Board of Directors.

-end-

CERTIFICATE OF PRESIDENT

I certify that I am the duly elected and acting President of the corporation named above and that the foregoing Bylaws, comprising 39 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 June 21, 2023.


David Potter, President

[signature]