

**FIRST RESTATED BYLAWS OF
OAK RANCH ESTATES HOMEOWNERS ASSOCIATION**

TABLE OF CONTENTS

	Page
I RECITALS AND DEFINITIONS	1
1.1. Name of Association	1
1.2. Association Is Nonprofit	1
1.3. Specific Purpose	1
1.4. Definitions	1
(a) County	1
(b) Declaration	1
(c) Majority of a Quorum	1
(d) Office of the Recorder	1
(e) Person	2
(f) Voting Power	2
(g) Definitions Incorporated by Reference	2
II PRINCIPAL OFFICE	2
III MEMBERSHIP	2
3.1. Members of the Association	2
3.2. Term of Membership	2
3.3. Multiple Ownership of Lots	2
IV MEMBERSHIP VOTING	3
4.1. Single Class of Membership	3
4.2. Member Voting Rights	3
4.3. Eligibility To Vote	3
4.4. Manner of Casting Votes	3
(a) Voting at Membership Meetings	3
(b) Proxy Voting	3
(c) Cumulative Voting	3
4.5. Proxies	3
(a) Proxies Generally	3
(b) Effectiveness of Proxies	4
4.6. Action by Written Ballot Without a Meeting	4
(a) Proxies Generally	3
(b) Effectiveness of Proxies	4
4.6. Action by Written Ballot Without a Meeting	4
(a) Definition of Written Ballot	4
(b) Written Ballots Generally	4
(c) Content of Written Ballots	4
(d) Balloting Time Requirements	4
V MEMBERSHIP MEETINGS	4
5.1. Place of Meeting	4
5.2. Annual Meeting	5
5.3. Special Meetings	5
(a) Persons Entitled to Call Special Meetings	5
(b) Procedures for Calling Special Meetings Requested by Members	5
5.4. Notice of Members' Meetings	5

	(b)	Time Requirements for Notice	5
	(c)	Minimum Requirements Regarding Content of Notice	6
	(d)	Specification of Certain Significant Actions	6
	(e)	Manner of Service	6
	(f)	Affidavit of Mailing	7
5.5.		Quorum Requirements	7
	(a)	Quorum Requirements Generally	7
	(b)	Members Represented by Proxy	8
	(c)	Effect of Departure of Members from Meeting	8
	(d)	Effect of a Member's Attendance at a Meeting	8
VI		MEMBERSHIP RIGHTS	8
	6.1.	Use and Enjoyment of Common Area by Members and Family	8
	6.2.	Tenants and Lessees; Assignment of Rights Generally	8
	6.3.	Invitees and Guests	9
	6.4.	Association Rules and Regulations	9
VII		BOARD OF DIRECTORS	9
	7.1.	General Association Powers	9
	7.2.	Number and Qualification of Directors	9
	7.3.	Term of Office	9
	7.4.	Nomination of Directors	10
		(a) Candidates Selected by Nominating Committee	10
		(b) Petition Procedure	10
	7.5.	Election of Directors	10
		(a) Directors Elected at Annual Meeting	10
		(b) Determination of Election Results and Succession to Office	10
	7.6.	Vacancies on Board	11
		(a) Vacancies Generally	11
		(b) Resignation of Directors	11
		(c) Authority of Board to Remove Directors	11
		(d) Authority of Members to Remove Directors	11
		(e) Protection of Cumulative Voting Rights	12
		(c) Authority of Board to Remove Directors	11
		(d) Authority of Members to Remove Directors	11
		(e) Protection of Cumulative Voting Rights	12
		(f) Filling Vacancies	12
		(g) Reduction in Number of Directors	12
VIII		BOARD MEETINGS	12
	8.1.	Place of Meetings; Notice of Meetings	12
	8.2.	Annual Meeting of Directors	13
	8.3.	Other Regular Meetings	13
	8.4.	Special Meetings of the Board	13
		(a) Who May Call a Special Meeting	13

	(b) Notice of Special Meetings	13
8.5.	Participation in Meetings by Use of Communications Equipment	14
8.6.	Attendance by Members	15
	(a) Meetings Generally Open to Members	15
	(b) Executive Sessions	15
8.7.	Quorum Requirements	15
8.8.	Waiver of Notice	15
8.9.	Adjournment	16
8.10.	Action Without a Meeting	16
8.11.	Compensation	16
IX	DUTIES AND POWERS OF THE BOARD	16
9.1.	Specific Powers	16
9.2.	Limitations on Powers	18
X	COMMITTEES	19
10.1.	Committees of Directors	19
10.2.	Meetings and Actions of Committees	20
10.3.	Effect of Committee Actions	20
XI	OFFICERS	20
11.1.	Officers	20
11.2.	Election of Officers	20
11.3.	Subordinate Officers	21
11.4.	Removal of Officers	21
11.5.	Resignation of Officers	21
11.6.	Vacancies	21
11.7.	President	21
11.8.	Vice President/Secretary	21
11.09.	Chief Financial Officer	22
XII	MEMBER ASSESSMENT OBLIGATIONS AND ASSOCIATION FINANCES	22
XII	MEMBER ASSESSMENT OBLIGATIONS AND ASSOCIATION FINANCES	22
12.1.	Description of Assessments to Which Owners Are Subject	22
12.2.	Checks	22
12.3.	Operating Account	22
12.4.	Other Accounts	22
12.5.	Budgets, Financial Statements and Other Documents	23
	(a) Budget	23
	(b) Year-End Report	24
	(c) Statement Regarding Delinquency/Foreclosure Policy	24
	(d) Insurance Disclosures	24

	Page
12.6. Review of Accounts	25
12.7. Required Reserve Studies	25
XIII MISCELLANEOUS	25
13.1. Inspection of Books and Records	25
(a) Member Inspection Rights	25
(b) Director Inspection Rights	26
(c) Adoption of Reasonable Inspection Rules	26
(d) Board Meeting Minutes	26
13.2. General Manager	26
13.3. Robert's Rules of Order	26
13.4. Amendment or Repeal of Bylaws by Members	26
13.5. Notice Requirements	27
13.6. Indemnification	27
(a) Indemnification of Association	27
(b) Indemnification by Association of Directors, Officers, Employees, and Other Agents	27
(c) Insurance	27
13.7. Construction and Definitions	28

CERTIFICATE OF SECRETARY

FIRST RESTATED BYLAWS OF
OAK RANCH ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I

RECITALS AND DEFINITIONS

SECTION 1.1. Name of Association. The name of this corporation is Oak Ranch Estates Homeowners Association and shall be referred to herein as the "Association."

SECTION 1.2. Association Is Nonprofit. The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Corporations Code Sections 7110-8970) as a nonprofit mutual benefit corporation. Prior to the Association's incorporation on December 4, 1978, the Association operated as an unincorporated association under California Corporations Code Section 20000, *et seq.*

SECTION 1.3. Specific Purpose. The specific and primary purpose of this Association shall be to own, repair, maintain, and manage the Common Area within that certain real estate common interest development located in the County of Ventura, State of California, and commonly referred to as Oak Ranch Estates project, enforce the Association Rules and regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration and otherwise to enhance and promote the use and enjoyment of the Common Area by the Owners in common.

SECTION 1.4. Definitions.

(a) *County.* The term "County" means the County of Ventura, State of California.

(b) *Declaration.* The term "Declaration" means all restrictions, covenants, terms and conditions set forth in the First Restated Declaration of Covenants, Conditions and Restrictions of the Association recorded in the Office of the Ventura County Recorder with respect to the Property recorded as instrument number 99-0214707.pdf of said Official Records of Ventura County, as such Declaration may from time to time be supplemented, amended or modified.

(c) *Majority of a Quorum.* The term "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in Section 5.5, below.

In the case of membership meetings, the voting power of a particular Member may be represented at the meeting by proxy.

(d) *Office of the Recorder.* The term "Office of the Recorder" means the Office of the Recorder, County of Ventura, State of California.

(e) *Person.* The term "person" means and includes any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

(f) *Voting Power.* "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at the time any determination of voting power is made.

(g) *Definitions Incorporated by Reference.* The terms defined in the Declaration shall have the same meanings when used herein unless the context clearly indicates a contrary intention.

ARTICLE II

PRINCIPAL OFFICE

The principal office of the Association will be located at such place within the County as the Board may from time to time designate by resolution.

ARTICLE III

MEMBERSHIP

SECTION 3.1. Members of the Association. Every Owner of a Lot within the Properties is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot.

SECTION 3.2. Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under Section 3.1, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).

SECTION 3.3. Multiple Ownership of Lots. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of those persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Area. The Secretary of the Association shall be notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received the Secretary may accept the vote of any Owner of Record or proxy holder of such an Owner as the vote attributable to the Lot in question, provided that, if the multiple Owners of a Lot attempt to vote the membership attributable to said Lot in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board may refuse to count any ballot pertaining to the Lot.

ARTICLE IV

MEMBERSHIP VOTING

SECTION 4.1. *Single Class of Membership.* The Association shall have one class of voting membership.

SECTION 4.2. *Member Voting Rights.* On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Lot owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.3 of these Bylaws.

SECTION 4.3. *Eligibility To Vote.* Only Members not subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration may vote.

SECTION 4.4. *Manner of Casting Votes.*

(a) *Voting at Membership Meetings.* Voting at any membership meeting may be by voice or by ballot, provided that the voting in any election of directors shall be conducted by secret ballot.

(b) *Proxy Voting.* Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Section 4.5.

(c) *Cumulative Voting.* Each Member entitled to vote at any election of directors where two (2) or more positions are to be filled shall have the right to cumulate his or her votes by giving one (1) candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the Member is entitled, or by distributing his or her votes on the same principle among as many candidates as he or she desires. No Member shall be entitled to cumulate votes unless (1) the candidate's name or candidates' names have been placed in nomination before the voting, and (2) a Member has given notice at the meeting, and before the voting, of the Member's intention to cumulate the Member's votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

SECTION 4.5. *Proxies.*

(a) *Proxies Generally.* Any Member entitled to vote may do so either in person or by one (1) or more agents authorized by a written proxy signed by the Member. Any proxy shall be submitted in a written ballot for a specific election or voting matter.

(b) *Effectiveness of Proxies.* Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (1) delivery to the Secretary of a written notice of revocation, (2) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (3) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates shown on the forms of proxy presumptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed.

SECTION 4.6. *Action by Written Ballot Without a Meeting.*

(a) *Definition of Written Ballot.* A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this Section 4.6. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) *Written Ballots Generally.* Any matter or issue requiring the vote of the Members, unless otherwise stated in the Declaration, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board.

(c) *Content of Written Ballots.* Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(d) *Balloting Time Requirements.* Written ballots shall be distributed to all eligible Members at least ten (10) days prior to the final date the written ballots must be received by the Association in order to be counted.

All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted.

ARTICLE V

MEMBERSHIP MEETINGS

SECTION 5.1. *Place of Meeting.* Meetings of the Members shall be held within the Association property or at such other reasonable place within the County and at such time as may be designated by the Board in the notice of the meeting.

SECTION 5.2. Annual Meeting. There shall be an annual meeting of the Members in November of each year. The date, time and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members.

SECTION 5.3. Special Meetings.

(a) *Persons Entitled to Call Special Meetings.* A majority of the Board, the President or five percent (5%) or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Association.

(b) *Procedures for Calling Special Meetings Requested by Members.*

(i) If a special meeting is called by Members other than the Board or President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 5.4, that a meeting will be held, and the date, time, and purpose for such meeting, which date shall be not less than thirty (30) nor more than ninety (90) days following the receipt of the request.

(ii) If notice of the meeting is not given within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subparagraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board or the President.

SECTION 5.4. Notice of Members' Meetings.

(a) *Requirement That Notice Be Given.* Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Article V.

(b) *Time Requirements for Notice.* The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this Section 5.4, not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class,

registered or certified mail, the notice shall be given not less than twenty (20) days nor more than ninety (90) days before the meeting.

(c) *Minimum Requirements Regarding Content of Notice.* The notice of any membership meeting shall specify the place, date and hour of the meeting. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted, and no other business may in that case be transacted at the special meeting. In the case of a regular meeting, the notice shall also describe those matters that the Board, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) *Specification of Certain Significant Actions.* If any action is proposed to be taken at any membership meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board under those circumstances where a vote of the Members is required pursuant to Section 7.6(f) of these Bylaws;
- (iii) Amending the Articles of Incorporation of this Association, these Bylaws or the Declaration in any manner requiring approval of the Members;
- (iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm, or association in which one or more of its directors has a material financial interest;
- (v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) *Manner of Service.* Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic, or other written communication, charges prepaid, addressed to each Member either at the address

of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (1) notice is sent to that Member by first-class mail or telegraphic or other written communication. Notice shall be deemed to have been given at the time the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

(f) *Affidavit of Mailing.* An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary or the Assistant Secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence of the giving of notice.

SECTION 5.5. *Quorum Requirements.*

(a) *Quorum Requirements Generally.* The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Section 4.6 of these Bylaws:

(i) *Quorum for Votes on Assessment Increases or Removal of Directors from Office.* In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval (see Article IV of the Declaration) and removal of any director from office, the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code Section 1366 or comparable superseding statute. That quorum percentage is currently a majority of the Members.

(ii) *Quorum for Valid Action on Other Matters.* In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be fifty-one percent (51%) of the Membership represented in person or by proxy.

(iii) *Reduction in Quorum Percentage for Action on Other Matters.* If the minimum quorum percentage specified in subparagraph (ii), above, is not satisfied after the meeting, said meeting may be adjourned to another time and/or place not more than thirty (30) days after the initial meeting date (see Section 5.6, below) and at the reconvened meeting the quorum percentage shall be reduced to fifteen percent (15%) of the voting power of the Members. If this reconvened meeting is attended by less than one-third (1/3) of the voting power of the Members (but a quorum

is present), the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting.

(b) *Members Represented by Proxy.* Members present at a membership meeting in person or by proxy shall be counted toward satisfaction of the quorum requirements specified herein.

(c) *Effect of Departure of Members from Meeting.* The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

(d) *Effect of a Member's Attendance at a Meeting.* Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein pursuant to Section 5.4(d), if that objection is expressly made at the meeting.

ARTICLE VI

MEMBERSHIP RIGHTS

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

SECTION 6.1. *Use and Enjoyment of Common Area by Members and Family.* Each Member and the members of his or her family who also reside in the Member's Lot shall be entitled to the use and enjoyment of all Common Area within the Properties.

SECTION 6.2. *Tenants and Lessees; Assignment of Rights Generally.* Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Lot provided that the member notifies the Secretary of the name(s) and telephone number(s) of said tenant(s). Such assignment shall be effective only so long as said tenant is residing in said Lot and is in compliance with the Declaration and the

Association's Rules in effect at that time. At all times the Owner shall remain responsible for compliance by the Owner's lessee or tenant with the provisions of the Governing Documents.

SECTION 6.3. *Invitees and Guests.* The invitees and guests of a Member shall have the right to use and enjoy the Common Area, as long as the guest or invitee is in the company and supervision of the Member. Any such guest or invitee shall be subject to the same obligations imposed on the Owner to observe the rules, restrictions, and regulations of the Association as set forth in the Governing Documents.

SECTION 6.4. *Association Rules and Regulations.* The right of any person to use and enjoy the Common Area shall at all times be subject to the rules, limitations, and restrictions set forth herein, in the Declaration, and in the Association's published Rules and Regulations as promulgated by the Board from time to time. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to suspend the use and enjoyment of any Common Area for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents, provided, however, that any such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in Article VII of the Declaration.

ARTICLE VII

BOARD OF DIRECTORS

SECTION 7.1. *General Association Powers.* Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Civil Code Sections 1350-1376, or as hereafter amended), any other applicable state or federal statute or regulation and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Board. Subject to the limitations expressed in Section 10.1, the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that, notwithstanding any such delegation, the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

SECTION 7.2. *Number and Qualification of Directors.* The Board shall consist of three (3) persons who shall be Owners of Lots who reside within the Properties and are not subject to any suspension of membership rights. Only one (1) Owner per Lot shall be eligible to serve on the Board at any time.

SECTION 7.3. *Term of Office.* At annual meetings, the Members shall elect three (3) directors for a term of one (1) year to replace those directors whose terms are then expiring. There shall be no limitation upon the number of consecutive terms to which a director may be reelected. Each director, including a director elected to fill a vacancy or elected at a special

meeting of Members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

SECTION 7.4. *Nomination of Directors.* Individuals can become candidates for election to the Board in any of the following ways:

(a) *Candidates Selected by Nominating Committee.* At least ninety (90) days prior to the date of any election of directors, the President shall appoint a nominating committee to select qualified candidates for election to those positions on the Board held by directors whose terms of office are then expiring. The nominating committee shall make its report at least thirty (30) days before the date of the election, and the Secretary shall forward to each Member, with the notice of meeting required by Section 5.4, a list of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies on the Board to be filled.

(b) *Petition Procedure.* A Member can become a candidate for election to the Board by filing with the Secretary a petition in support of his or her candidacy signed by at least two percent (2%) of the voting power of the Association. The Member circulating the petition shall append his or her written certification to the petition attesting to the validity of the signatures. Candidate petitions must be filed with the Secretary no later than thirty (30) calendar days and no earlier than fifty (50) calendar days prior to the annual election.

SECTION 7.5. *Election of Directors.*

(a) *Directors Elected at Annual Meeting.* At each annual meeting of the Members, the Members present in person or by proxy shall elect persons to those positions on the Board held by directors whose terms are then expiring. The persons thus elected shall be selected from among those persons nominated Section 7.4; however, if for any reason an annual meeting is not held or the directors are not elected at any annual meeting, the directors may be elected at any special meeting of the Members held for that purpose. As more particularly provided in Section 4.4(c), cumulative voting is permitted.

(b) *Determination of Election Results and Succession to Office.* The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected as directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by lot.

SECTION 7.6. *Vacancies on Board.*

(a) *Vacancies Generally.* A vacancy or vacancies on the Board shall be deemed to exist on the occurrence of any of the following: (1) the death, resignation, or removal of a director under subparagraphs (c) and (d), below, or (2) an increase of the authorized number of directors.

(b) *Resignation of Directors.* Except as provided in this subparagraph (b), any director may resign, and such resignation shall be effective on giving written notice to the President, the Secretary, or the Board, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

(c) *Authority of Board to Remove Directors.* The Board shall have the power and authority to remove a director and declare his or her office vacant if he or she (1) has been declared of unsound mind by a final order of court; (2) has been convicted of a felony; (3) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236 (relating to the standards of conduct of directors); or (4) fails to attend three (3) consecutive regular meetings of the Board that have been duly noticed in accordance with California law.

(d) *Authority of Members to Remove Directors.* Except as otherwise provided in Sections 7.6(c) and (e), a director may be removed from office prior to expiration of his or her term only by the affirmative vote of a majority of the Membership. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the President, Vice President, or Secretary of the Association and must carry the signatures of Members who represented at least twenty percent (20%) of the voting power of the membership. Such petition must set forth the signature and Lot(s) of each petitioner in his or her own handwriting.

(ii) Within twenty (20) days after receipt of such petition, the Board shall either call a special meeting or announce the procedures for conducting a written ballot of the Members to vote upon the requested recall. Such meeting or written ballot shall be conducted not less than thirty (30) nor more than ninety (90) days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting or written ballot within twenty (20) days, the Members initiating the petition

may call such meeting on their own initiative without Board approval or sanction.

(iii) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(iv) If the quorum requirement for a valid membership action is not satisfied, the removal action will be conclusively deemed to have failed.

(e) *Protection of Cumulative Voting Rights.* If cumulative voting is in place for the election of directors, then no individual director may be removed unless the number of votes cast at the recall election to remove the director would be enough votes to elect him or her at a regular election. This limitation shall not apply to a recall vote cast against the entire Board. If cumulative voting is used to elect directors, it must also be used to remove a director.

(f) *Filling Vacancies.* Vacancies on the Board shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director, in which case the vacancy shall be filled by the affirmative vote of a majority of the Members represented in person or by proxy at a duly held meeting of the Members at which a quorum is present. The Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors by an election at a duly held meeting of the Members or written ballot and shall require the approval of a majority of the voting power.

(g) *Reduction in Number of Directors.* No reduction in the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

ARTICLE VIII

BOARD MEETINGS

SECTION 8.1. Place of Meetings; Notice of Meetings. Regular and special meetings of the Board may be held at any place within the Association property that has been designated from time to time by the Board and stated in the notice of the meeting. Notwithstanding the above provisions of this Section 8.1, a regular or special meeting of the Board may be held at any place consented to by all the Board members, either before or after the meeting. Members shall be given notice of the time and place of a meeting, as defined in this Section 8.1, except for an emergency meeting, at least four (4) days prior to the meeting. Notice may be given by posting

the notice in a prominent place, or places, within the Common Area, by mail or delivery of the notice to each Lot or by newsletter or similar means of communication. Notwithstanding anything to the contrary, an emergency meeting of the Board may be called by the President of the Association, or by any two (2) members of the Board, other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which, of necessity, make it impracticable to provide notice as otherwise required by this Section 8.1. For purposes of this Section 8.1, "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

SECTION 8.2. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board shall hold a regular meeting for the purposes of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

SECTION 8.3. Other Regular Meetings. Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board and communicated to the Board members. Ordinarily, regular meetings shall be conducted at least quarterly. However, regular meetings can be held as infrequently as every six (6) months if the Board's business does not justify more frequent meetings.

Notice of the time and place of regular meetings shall be posted in a prominent place within the Common Area, and shall be communicated to the Board members not less than seventy-two (72) hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in Section 8.8.

SECTION 8.4. Special Meetings of the Board.

(a) *Who May Call a Special Meeting.* Special meetings of the Board may be called for any purpose at any time by the President or any two (2) directors.

(b) *Notice of Special Meetings.*

(i) *Manner of Giving.* Notice of the time and place of special meetings of the Board shall be given to each director by one of the following methods:

(A) by personal delivery of written notice;

(B) by first-class mail, postage prepaid;

(C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; or

All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Section 8.8.

(ii) *Time Requirements.* Notices sent by first-class mail shall be deposited in a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least forty-eight (48) hours before the time set for the meeting.

(iii) *Notice Contents.* The notice shall state the time, place, and purpose of the meeting.

SECTION 8.5. *Participation in Meetings by Use of Communications Equipment.* Directors may participate in a meeting through use of conference telephone, electronic video screen communication or other communications equipment. Participation in a meeting pursuant to this section constitutes presence in person at that meeting if all of the following apply:

(a) Each Director participating in the meeting can communicate with all of the other Directors concurrently;

(b) Each Director is provided the means of participating in all matters before the Board, including the capacity to propose or to interpose an objection to a specific action to be taken by the Corporation; and

(c) The Corporation adopts and implements some means of verifying both of the following:

(i) A person communicating by telephone, electronic video screen or other communications equipment is a Director entitled to participate in the meeting; and

(ii) All statements, questions, actions or votes were made by that Director and not by another person not permitted to participate as a Director.

SECTION 8.6. Attendance by Members.

(a) *Meetings Generally Open to Members.* With the exception of executive sessions of the Board (see subparagraph (b), below) and any meetings conducted by conference telephone, all meetings of the Board shall be open to Members, provided, however, that nondirector Members may participate in deliberations or discussions of the Board only when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established. The agenda for Board meetings shall include a specific time for Member questions and comments. The chair shall be authorized to impose reasonable time limitations on Member comments.

(b) *Executive Sessions.* The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum is present, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss and take action on any of the following matters: (1) litigation in which the Association is or may become a party; (2) personnel matters; (3) contract negotiations; or (4) Member disciplinary proceedings. The Board shall meet in executive session, if requested by a Member who may be subject to a fine, penalty or other form of discipline, and the Member shall be entitled to attend the executive session. Before adjourning into executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting. Any matter discussed in executive session shall be generally noted in the minutes of the Board. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above.

SECTION 8.7. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 8.9. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (1) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (2) appointment of committees, and (3) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, by the Articles, or by law.

SECTION 8.8. Waiver of Notice. Any action taken at any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly

held after regular call and notice, if (1) a quorum is present, and (2) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

SECTION 8.9. *Adjournment.* A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

SECTION 8.10. *Action Without a Meeting.* Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

SECTION 8.11. *Compensation.* Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX

~~DUTIES AND POWERS OF THE BOARD~~

ARTICLE IX

DUTIES AND POWERS OF THE BOARD

SECTION 9.1. *Specific Powers.* Without prejudice to the general powers of the Board set forth in Section 7.1, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the general manager of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) Adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Common Area and roads within the Association property, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Area; provided notice and a hearing are provided as more particularly set forth in Section 7.05 of the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Lots within the Association property and the Common Area and the roads within the Association property.

(f) Contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the Association.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Common Area and other portions of the Association property which the Association is obligated to maintain.

(h) Pay all taxes, special assessments and other assessments, and charges that are or would become a lien on any portion of the Common Area.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Common Area that have been damaged or destroyed and that are to be rebuilt by the Association.

(j) Delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board, subject to the limitations expressed in Section 10.1.

(k) Levy and collect Assessments from the Members of the Association in accordance with the Declaration.

(l) Perform all acts required of the Board under the Declaration.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board and prescribe rules under which said nominating committee is to act, as described in Section 7.4.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with Article X, including members of the Architectural Committee described and constituted in accordance with Article VI of the Declaration.

(p) Fill vacancies on the Board or on any committee, except a vacancy created by the removal of a Board member.

(q) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(r) Bring and defend actions on behalf of more than one Member or the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in Article VII of the Declaration.

(s) Enter the Common Area or Lots pursuant to Section 3.24 of the Declaration, as necessary, subject to the notice requirements contained in the Declaration, in connection with construction, maintenance, or emergency repairs to, on or for the benefit of the Common Area or the Owners in common.

SECTION 9.2. Limitations on Powers. Without the vote or written assent of a majority of the voting power of the Members, the Board shall not take any of the following actions:

(a) Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one (1) year. This restriction shall not apply to (1) public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; (2) prepaid casualty or liability insurance policies not to exceed three (3) years' duration, provided that the policies provide for short-rate cancellation by the insured; or (3) lease agreements for equipment not to exceed five (5) years' duration.

(b) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year, provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than ten percent (10%) of the budgeted gross expenses of the Association for that year.

(d) Pay compensation to members of the Board or officers of the Association; provided that directors, and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

(e) Fill any vacancy on the Board created by the removal of a director.

(f) Any action to impose a special assessment or to increase the regular assessment under circumstances requiring Member approval under Article V of the Declaration.

(g) Any action to amend these Bylaws, the Articles or the Declaration.

ARTICLE X

COMMITTEES

SECTION 10.1. Committees of Directors. In addition to the nominating committee appointed and constituted pursuant to Section 7.4(a) of these Bylaws and the Architectural Committee appointed and constituted pursuant to the Declaration, the Board may, by resolution adopted by a majority of the directors then in office, designate one (1) or more committees, each consisting of two (2) or more Members (who may also be directors), to serve at the pleasure of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

(b) Fill vacancies on the Board or on any committee that has been delegated any authority of the Board.

(c) Amend or repeal these Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board or the members of those committees.

(f) Approve any transaction (1) to which the Association is a party and one (1) or more directors have a material financial interest; or (2) between the Association and one (1) or more of its directors or between the Association or any person in which one (1) or more of its directors have a material financial interest.

SECTION 10.2. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII of these Bylaws, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes should be kept of each meeting of any committee and shall be filed with the Association records. The Board may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any committee.

SECTION 10.3. Effect of Committee Actions. Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a committee, all actions of any committee shall be considered advisory to the Board and shall be scheduled on the agenda of the Board meeting next following the committee's action or decision for affirmation, rescission, or modification, as the Board in its discretion deems appropriate.

ARTICLE XI

OFFICERS

SECTION 11.1. Officers. The officers of the Association shall be a President, a Vice President/Secretary and a Chief Financial Officer. The Association may also have, at the discretion of the Board, one (1) or more Assistant Secretaries, one (1) or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.3. One person may hold two (2) or more offices, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as President.

SECTION 11.2. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.3 and 11.6, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until

he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

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

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

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

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

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

SECTION 11.8. Vice President/Secretary. The Vice President/Secretary shall be elected by the Board from among the directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice President/Secretary shall keep, or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members, with the time and place of holding same, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The Vice President/Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by these Bylaws or by law, and he or she shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

SECTION 11.09. Chief Financial Officer. The Chief Financial Officer shall be elected by the Board from among the directors. The Chief Financial Officer, who shall be known as the Treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any director or Member. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He or she shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws. If required by the Board, the Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII

MEMBER ASSESSMENT OBLIGATIONS AND ASSOCIATION FINANCES

SECTION 12.1. Description of Assessments to Which Owners Are Subject. Owners of Lots within the Properties are subject to annual Regular, Special and Special Individual Assessments as described in Article IV of the Declaration.

SECTION 12.2. Checks. All checks or demands for money and notes of the Association shall be signed by two (2) Board members, as shall any withdrawal of funds from Association reserve accounts.

SECTION 12.3. Operating Account. There shall be established and maintained a Association reserve accounts.

SECTION 12.3. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation, including, but not limited to, wages, repairs, betterments, maintenance and other operating expenses of the Properties.

SECTION 12.4. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as set forth in Article IV of the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

SECTION 12.5. Budgets, Financial Statements and Other Documents. The following financial statements and related information for the Association shall be prepared and copies thereof shall be distributed to each Member of the Association:

(a) **Budget.** An operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than thirty (30) days nor more than sixty (60) days prior to the beginning of the fiscal year:

(i) The Association's estimated revenue and expenses on an accrual basis;

(ii) A summary of the Association's reserves based on the most recent review or study conducted under Section 12.6, below, and Civil Code Section 1365.5, which must be printed in boldface type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Association property that the Association is obligated to repair, replace, restore, or maintain (collectively "Association Capital Projects");

(B) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital Projects and the current amount of accumulated cash reserves actually set aside for Association Capital Projects; and

(C) The percentage of the estimated amount of necessary cash reserves calculated under subparagraph (B), above, that represents the amount of accumulated cash reserves;

(ii) A statement as to whether the Board has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major component of the Association property for which the Association is responsible, or to provide adequate reserves therefor; and

(iv) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the future costs of repair, replacement or additions to those major

components of the Association property for which the Association is responsible.

(b) *Year-End Report.* A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of the review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year of the Association.

(c) *Statement Regarding Delinquency/Foreclosure Policy.* When appropriate, the Board shall distribute a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments, including the recording and foreclosing of liens against a Member's Lot. This notice must be included with any formal notice of delinquent assessments.

(d) *Insurance Disclosures.* The following information regarding the insurance maintained by the Association:

(i) A summary of the Association's general liability policy that states all of the following:

(A) The name of the insurer.

(B) The policy limits of the insurance.

(ii) A summary of the liability coverage policy for the director and officers of the Association that lists all of the following:

(A) The name of the insurer.

(B) The limits of the insurance.

(iii) Notwithstanding subsections (i) and (ii), the Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies have been canceled and not immediately replaced. If the Association renews any of the policies or a new policy is issued to replace an insurance policy of the Association, and where there is no lapse in coverage, the Association shall notify its Members of that fact in the next available mailing to all Members.

SECTION 12.6. Review of Accounts. On no less than a quarterly basis, the Board shall:

- (a) Review a current reconciliation of the Association's operating accounts;
- (b) Review a current reconciliation of the Association's reserve accounts;
- (c) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (d) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and
- (e) Review the Association's income and expense statement for the operating and reserve accounts.

To the extent one document provides the information required in more than one (1) of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

SECTION 12.7. Required Reserve Studies. At least once every three (3) years, the Board must have a study of the reserve account requirements of the Association conducted if the current replacement value of the major components of the Properties for which the Association is responsible under the Governing Documents is equal to or greater than one-half (1/2) of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required under this Section on an annual basis as part of the budgeting process and shall consider and implement necessary adjustments to the Board's analysis of reserve account requirements as a result of that review. The reserve study required under this Section shall be prepared in accordance with the requirements of Civil Code Section 1365.5 or comparable superseding statute.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1. Inspection of Books and Records.

(a) *Member Inspection Rights.* All accounting books, accounting records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall be available to the inspection of any Member or his or her duly appointed representative if reasonably related to the Member's interest as such. A Member's rights of

inspection shall be exercisable on ten (10) days' written notice on the Association, which notice shall state the purpose for which the inspection rights are requested. In the case of requests to inspect the Association's membership list, a Member's inspection rights shall be subject to the Association's right to offer a reasonable alternative to inspection within ten (10) days after receiving the Member's written notice (as more particularly set forth in Corporations Code Sections 8330-8338).

(b) *Director Inspection Rights.* Subject to every Member's constitutional right of privacy, every director shall have a right at any reasonable time to inspect all books, records, documents, and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

(c) *Adoption of Reasonable Inspection Rules.* The Board may establish reasonable rules with respect to (1) notice of inspection, (2) hours and days of the week when inspection may be made, and (3) payment of the cost of reproducing copies of documents requested by the Member.

(d) *Board Meeting Minutes.* The minutes themselves, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any meeting of the Board, other than the minutes of any executive session, shall be available to the Members within thirty (30) days following the meeting. The minutes, proposed minutes, or summary of the minutes shall be distributed to any Member on request and on reimbursement of the Association's costs of making that distribution. Members shall be notified in writing, at the time that the budget required by Section 12.5(a), above, is distributed or at the time of any general mailing to the entire membership, of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

SECTION 13.2. General Manager. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the manager shall at all times remain subject to the general control of the Board.

SECTION 13.3. Robert's Rules of Order. In the event of a dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

SECTION 13.4. Amendment or Repeal of Bylaws by Members. Except as otherwise expressly provided herein, these Bylaws may be amended or repealed, and new Bylaws adopted, only by the affirmative vote or assent by written ballot of a majority of a quorum of the voting power of the Members of the Association.

SECTION 13.5. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows:

(a) if to the Association or the Board, at the address of the Association as designated from time to time by written notice to the Members;

(b) if to a director, at the address from time to time given by such director to the Secretary for the purpose of service of such notice;

(c) if to a Member, at the address from time to time given by such Member to the Secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any Lot within the Association property owned by such Member.

SECTION 13.6. Indemnification.

(a) **Indemnification of Association.** Each Owner shall be liable to the Association for any damage to the Common Area caused by the negligence or willful misconduct of the Owner or his or her family, guests, invitees or lessees, to the extent that the damage shall not be covered by insurance. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring on any Lot owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This Section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this Section.

(b) **Indemnification by Association of Directors, Officers, Employees, and Other Agents.** To the fullest extent permitted by law, the Association shall indemnify its directors, officers, employees, and other agents described in Corporations Code Section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the Association, by reason of the fact that such person is or was a director, officer or a person described by that section. "Expenses," as used in this Section, shall have the same meaning as in Corporations Code Section 7237(a).

(c) **Insurance.** The Association shall have the power to purchase and maintain insurance on behalf of its directors, officers, employees and other agents against other liability asserted against or incurred by any director, officer,

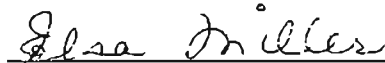
employee or agent in such capacity or arising out of the director's, officer's, employee's or agent's status as such.

SECTION 13.7. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

CERTIFICATE OF SECRETARY

The undersigned, Secretary of the corporation known as Oak Ranch Estates Homeowners Association does hereby certify that the above and foregoing Restated Bylaws consisting of Twenty-Eight (28) pages, including this page, were duly adopted by written ballot of the Members of said Association on the 10th day of July, 1999, and that they now constitute said Bylaws.

Dated: November 14, 1999



Elsa Miller, Secretary