

RESTATED BYLAWS OF WOODRIDGE MUTUAL WATER AND PROPERTY

OWNERS CORPORATION

ARTICLE I

Recitals and Definitions

Section 1.1. *Name of Association.* The name of this corporation is Woodridge Mutual Water and Property Owners Corporation and shall be referred to herein as the “Company” or “Association.”

Section 1.2. *Association Is Nonprofit.* The Association is a California nonprofit mutual benefit corporation (Corporations Code §§7110–8910) and an association as defined by Civil Code §4080.

Section 1.3. *Specific Purpose.* The specific and primary purposes of this Association shall be:

- a. own, repair, maintain, manage, and eventually replace the Common Areas and Common Facilities within the Woodridge Lake Estates real estate common interest development located in Shingletown, Shasta County, State of California;
- b. develop, distribute, supply or deliver water to its Members or their lessees or as allowed by Public Utilities Code §2705 at actual cost plus necessary expenses for irrigation or domestic use or both.
- c. to maintain individual Lots and the Residences located thereon to the extent and in the manner more particularly described in the Declaration (as Defined in Section 1.4)
- d. enforce the Rules and Regulations adopted by the Board of Directors from time to time, as well as the terms and covenants, conditions, and restrictions set forth in the Declaration; and
- e. otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities of the Development by the Owners and residents of Woodridge Mutual Water and Property Owners Corporation in common.

Without limiting the purpose, the Association shall be authorized to do whatever may be deemed necessary, conducive, incidental or advisable to accomplish and promote said objects or purposes, including but not limited to anyone or more of the following:

- a. constructing, leasing, maintaining and operating water-system facilities;
- b. acquiring, owning, leasing or developing water, water rights or water bearing lands;
- c. develop and manage the Property Owners Association’s declaration of Covenants, Conditions and Restrictions and rules and regulations for the property owners of Tract 1532 and Tract 1626, Shasta County, State of California.
- d. paying all taxes, utilities, charges and assessments by which to further the foregoing objects and purposes; and
- e. doing any other act or thing in any way connected with the foregoing or related to the objects and purposes of the Association.

Section 1.4. *Definitions.*

(a) *Annual Budget Report.* “Annual Budget Report” means the compilation of documents that the Association must provide to its Members on an annual basis 30 to 90 days before the end of the fiscal year under Civil Code §5300 (see Section 12.5)

(b) *Annual Policy Statement.* “Annual Policy Statement” means the information, statements, and notices that the Association must provide to its Members on an annual basis 30 to 90 days before the end of the fiscal year under Civil Code §5310 (see Section 13.1).

(c) *Association Capital Replacement Projects.* “Association Capital Replacement Projects” means any project undertaken by the Association for the major repair or replacement of any Major Capital Improvements within the Development that are included in the Association’s Reserve Study and funded by Member contributions to the Association’s Reserve Accounts.

(d) *County.* “County” means the County of Shasta, State of California.

(e) *Davis-Stirling Act.* “Davis-Stirling Act” or “Act” means the Davis-Stirling Common Interest Development Act, found at Civil Code §§4000–6150.

(f) *Declaration.* “Declaration” means the 2021 Restated Declaration of Covenants, Conditions, and Restrictions for Woodridge Mutual Water and Property Owners Corporation, recorded on _____, as Instrument No. _____, as such Declaration may from time to time be supplemented, amended, or modified by a duly Recorded subsequent Declaration or amendment thereto.

(g) *Emergency Meeting.* “Emergency Meeting” means a meeting of the Board of Directors that meets the criteria set forth in Civil Code §4923 and Section 8.5.

(h) *General Notice and General Delivery.* “General Notice” and “General Delivery” are used in these Bylaws when notice can be provided to the members by any of the following methods:

(1) Any method of delivery that constitutes “Individual Notice” (if a particular Member requests to receive General Notices in that manner, then Individual Notice must be used; Civil Code §4045(b));

(2) Inclusion of the notice in a newsletter, website, or similar Association document;

(3) Posting a copy of the printed document in a prominent location that is accessible to all Members, so long as the location has been designated for the posting of General Notices by the Association in its Annual Policy Statement; and

(i) *Good Standing.* “Good Standing” is a term used to identify those Members who constitute part of the Voting Power of the Association and are therefore eligible to vote with respect to any matter or action that requires the consent or approval of the Members other than the election of directors. (No Member can be denied the right to vote in director elections for reasons other than not being a Member at the time election ballots are distributed, under Civil Code §5105(g).) To be in Good Standing, a Member must be (1) current in the payment of all assessments levied

against the Member's Unit and (2) not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the due process and disciplinary hearing procedures of the Declaration and Civil Code §§5900–5920. If a Member is the Owner of multiple Lots, the Member is entitled to one vote per Lot for which he or she is in Good Standing. An incumbent director and a Member who is an announced candidate for election to the Board who is a party to a Board-approved payment plan to retire delinquent Assessments in accordance with Civil Code §5665 and who is in compliance with the terms of that plan shall be deemed to be in Good Standing for purposes of being a candidate, or for continued Board service, unless the terms of the agreed-upon payment plan call for the director to resign from office. Other qualification requirements for being a candidate for election to the Board are set forth in Section 7.5.

(j) *Individual Notice or Individual Delivery.* If a provision of these Bylaws requires the Association to deliver a document by “individual notice” or “individual delivery,” the document must be delivered to the Members by one of the following methods:

(1) First-class mail; postage prepaid, registered, or certified mail; express mail; or overnight delivery by an express service carrier (addressed to the Member at his or her address appearing on the Association's records);

(2) E-mail, facsimile, or other electronic means if the recipient has consented to receiving notice in that fashion. That consent may be revoked in a writing delivered to an officer of the Association or to the Association's manager or management company; or

(3) If a Member has identified a secondary address for delivery of documents included in the Annual Budget Report or notices pertaining to Assessments or Assessment collections, the Association must deliver an additional copy of those notices to the secondary address that is identified (as well as to the primary address provided by the Member).

(k) *Inspector(s) of Elections.* “Inspector(s) of Elections” means the person or persons appointed by the Board of Directors to tabulate ballots and report on the outcome of any election that is subject to the secret ballot voting rules set forth in Civil Code §§5100–5135 and to discharge the other duties and responsibilities stated in Civil Code §5110(c) and Section 7.5(f). In accordance with Civil Code §5110(a), there shall be either one or three Inspector(s) of Elections; however, the person(s) designated as such may appoint and oversee additional persons to verify signatures and to count and tabulate votes so long as those other designees are independent third parties. Although selection of the Inspector(s) of Elections remains in the discretion of the Board, Civil Code §5110(b) lists the following individuals who are eligible to serve as the Association's Inspector(s) of Elections: (1) an independent third party such as a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public; and (2) Members of the Association who are not members of the Board of Directors or candidates for election to the Board or related to a director or to a candidate for election to the Board. No person, business entity, or subdivision of a business entity that is currently employed by, or under contract with, the Association for any compensable services other than serving as an Inspector of Elections may serve as an Inspector of Elections. Accordingly, the Association's accounting firm and legal counsel are not eligible to serve as Inspectors of Election.

(l) *Lot*. “Lot” refers to each residential Lot as shown on the Subdivision Map for the Development.

(m) *Major Capital Improvements*. “Major Capital Improvements” means any major component of the Development for which the Association has the maintenance, repair, and replacement responsibility under the Declaration. If a Major Capital Improvement has a useful life of 30 years or less, it must be included in the Association’s Reserve Study (see Section 1.4(o)).

(n) *Majority of a Quorum*. “Majority of a Quorum” means the vote of a majority of the votes cast at a meeting of the Members (or cast by secret or written ballot) when the number of Members who are in Good Standing and attending the meeting (or the number of ballots cast by Members in Good Standing during the time prescribed for the return of ballots) equals or exceeds the quorum requirement specified in Section 5.5 for valid Member action.

Any Member may be represented at a meeting of the Members by proxy (in accordance with Section 4.5).

(o) *Reserves or Reserve Accounts*. “Reserves” and “Reserve Accounts” mean those funds that the Board of Directors has identified and set aside for use to defray the future repair or replacement of, or additions to, the Major Capital Improvements within the Development that the Association is obligated to maintain, repair, and eventually replace in one or more Reserve Accounts. The obligation to contribute funds in Reserve Accounts pursuant to Section 4.9(d) of the Declaration and Civil Code §§5550–5570 shall be a Common Expense of the Association. The amounts required to properly fund Reserves (the “Reserve Funds”) shall be determined annually by the Board in accordance with the standards prescribed by maintenance cost guidelines prepared in accordance with Civil Code §5550 and prudent property management practices generally applied in common interest developments in the geographic region in which the Development is located. Among other elements, the Reserve planning process set forth in Civil Code §5550 requires the Board to conduct periodic studies of Reserve Account requirements (each a “Reserve Study”) which must include a “Reserve Funding Plan” that indicates how the Association intends to fund the contributions to Reserve Accounts required to meet the Association’s maintenance, repair, and replacement obligations. See Section 4.9(d) of the Declaration and Section 12.8.

(p) *Voting Power*. “Voting Power” means the number of 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 the Voting Power of the Members is made.

(q) *Other Definitions Incorporated by Reference*. Any capitalized terms used in these Bylaws that are not defined herein shall have the same meaning given to those terms in Article I of the Declaration, unless the context clearly indicates a contrary intention.

ARTICLE II

Location of Principal Office

The principal office of the Association will be located at such within the Development 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 Development is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot in the Development.

Section 3.2. *Term of Membership.* Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.1. On 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 Owners of a Single Lot.* Ownership of a Lot in the Development shall give rise to a single membership in the Association and each membership held by an Owner shall entitle the Member to one vote on matters requiring the consent or approval of the Members. Accordingly, if more than one person owns a Lot, all of the co-Owners 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 Areas and Common Facilities. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary of the Association is 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 such notification does not occur and more than one of the multiple Owners of a Lot attempts to vote the membership appurtenant to that Lot, the Inspector(s) of Elections appointed under Section 7.5(e) shall be empowered to disqualify the vote of that membership. However, the membership shall be considered for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met.

Section 3.4. *Ownership of Multiple Lots.* If a person owns more than one Lot in the Development, that Owner shall have one membership and voting rights with respect to each Lot owned.

Section 3.5. *Furnishing Evidence of Membership.* A person shall not be entitled to exercise the rights of a Member until such person has advised the secretary of the Association in writing that he or she is qualified to be a Member under Section 3.1 and, if requested by the secretary, has provided the secretary with evidence of such qualification in the form of a duly recorded grant deed to the Lot that gave rise to the membership or a currently effective policy of title insurance for that Lot showing the purported Member as the Owner of record of the Lot. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting, and actions by written ballot and eligibility for voting set forth in Section 5.8.

ARTICLE IV

Membership Voting

Section 4.1. *Classes of Membership.* The Association shall have a single class of membership comprised of those persons who are Owners of Lots in the Development.

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 under the provisions of these Bylaws, or in a vote conducted by written or secret ballot (Section 4.6) or by mailed secret ballot (Section 7.5), each Member who is in Good Standing shall be entitled to have one vote for each Lot that Member owns. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.3. If a Lot is owned by a trust, corporation, partnership, limited liability company, or other entity, the vote attributable to that Lot must be exercised by the trustee or settlor of the trust or by a duly authorized officer of the entity-Owner.

Section 4.3. *Eligibility to Vote.* Only Members in Good Standing, as defined in Section 1.4(i), shall be entitled to vote with respect to any matter requiring the consent or approval of the Members (other than the election or removal of directors). A Member's Good Standing shall be determined as of the record date established in accordance with Section 5.8. In accordance with Civil Code §5855, the Association shall be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, as set forth in Section 13.6 of the Declaration.

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, however, that the voting in any election of directors or on any other matter identified in subparagraph (e) shall be conducted by secret ballot in accordance with Civil Code §§5100–5130 and Section 7.5. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by 10 percent of the Members present at the meeting. In this context, the secret ballot need not comply with the double-envelope secret balloting rules set forth in Section 7.5.

(b) *Voting by Written Ballot.* In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue that requires the approval, consent, or other action by the Members by law or under the Governing Documents.

(c) *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.

(d) *Cumulative Voting.* Each Member entitled to vote at any election of directors when two or more positions are to be filled shall have the right to cumulate his or her votes by giving one 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. Those candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected. The form of secret

ballot that is distributed to the Members in an election of directors shall be formatted to permit cumulative voting in the election.

(e) *Secret Ballot Voting Requirements (Civil Code §5100)*. Under Civil Code §5100, the following actions requiring the vote or approval of the Members of the Association must be conducted by use of a secret ballot, with the vote conducted in accordance with the requirements of Section 7.5: (1) any vote of the Members to approve an increase in the Regular Assessment or imposition of a Special Assessment when Member approval is required under Civil Code §5605; (2) any vote for the election or removal of directors; (3) any vote to approve amendments to the Governing Documents; or (4) any vote authorizing the granting of exclusive use of Common Area property under Civil Code §4600. Except for a meeting convened under Section 7.5(g) (e.g., to count the secret mailed ballots), a vote or election that is subject to the secret ballot voting requirements may be conducted entirely by mail.

Section 4.5. *Proxy Voting.*

(a) *Use of Proxies Generally*. Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the secretary of the Association. Any proxy shall be for a term not to exceed 11 months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be 3 years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) *Effectiveness of Proxies*. Every proxy continues in full force and effect until revoked by the issuing Member before the vote for which it is given, subject to the maximum term of a proxy set forth in the preceding subparagraph. Any proxy issued shall be revocable by the person executing such proxy at any time before the vote for which it is given by (1) delivery to the secretary of a written notice of revocation; (2) a subsequent proxy executed by the Member who executed 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 who executed the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the Association secretary receives actual notice of the death or judicially declared incompetence of the Member issuing the proxy or on termination of such Member's status as an Owner of a Lot as provided in Section 3.1.

(c) *Validity of Proxies With Respect to Certain Material Transactions*. Any proxy given with respect to any of the matters described in this subparagraph shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

(1) Removal of directors without cause;

(2) Filling of vacancies on the Board;

(3) Approval of contracts or transactions between the Association and one or more of its directors or between the Association and a corporation, firm, or association in which one or more of its directors has a material financial interest;

(4) Amendment of the Articles of Incorporation, these Bylaws, or the Declaration;

(5) Action to impose or increase any Association Assessments when the action requires Member approval under Article IV of the Declaration;

(6) Sale, lease, exchange, transfer, or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;

(7) Merger of the Association with another association of property owners or an amendment to an agreement of merger; and

(8) Voluntary dissolution of the Association.

(d) *Limited Proxies; Proxies Issued in Election of Directors and in Other Secret Ballot Elections.*

(1) *Limited Proxies.* Any form of proxy distributed to 10 or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended (at the time the proxy is distributed) to be acted on at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted on and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(2) *Proxies Issued in Connection With an Election of Directors.* Any proxy issued in connection with an election of directors or any other matter subject to Civil Code §5100 (see Section 4.4 (e)) shall not be construed or used in lieu of the secret ballot that is required by that Code section. Any instruction given in a proxy issued for an election subject to Civil Code §5100 (see Section 4.4 (e)) that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the issuing Member's vote by secret ballot in accordance with Section 7.5(c). The proxy may be revoked by the issuing Member before the receipt of the ballot by the inspector of elections as described in Section 7.5 (e). If a Member marks the ballot "withhold" (or otherwise marks it in a manner indicating that the authority to vote for the election of directors is withheld), the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors directs the manner in which the proxy holder is to vote the proxy (*i.e.*, for a specified candidate or candidates), the proxy holder shall vote the secret ballot in accordance with the expressed intentions of the proxy issuer's instructions.

(e) *Restriction or Elimination of Proxy Rights; Limitation on Authority.* No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the Voting Power of the Members represented and voting in accordance with the secret ballot voting procedures set forth in Section 7.5.

(f) *Proxy Rules for Memberships Held by More Than One Person.* When two or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by one

or more of such persons, as long as no more than one proxy is issued with respect to any single membership.

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 and Corp C §7513. 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 may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, as long as the requirements for action by written ballot set forth in this Section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board of Directors. The matters and actions identified in Section 4.4 (e) requiring Member approval must be conducted by use of a secret ballot.

(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. Written ballots distributed for the election of directors shall list all candidates for election to the Board as of the date when the written ballots are mailed or delivered to the Members, and the written ballots shall comply with the secret ballot voting requirements of Civil Code §§5100–5130 and Section 7.5 by being prepared in a form that requires that the ballot itself not be signed by the voter or otherwise identify the voter by name, Residence or Lot number, or address.

The mailed ballots shall be accompanied by two pre-addressed envelopes with instructions on how to return the ballots by a stated deadline to be counted. Those instructions shall state, at a minimum, that the ballot itself is not to be signed by the voter but rather inserted into an envelope that is then sealed. That sealed envelope shall be inserted into a second envelope that is also sealed. In the upper left hand corner of the second envelope, the voter shall be instructed to print and sign his or her name, address, and Residence or Lot number that entitles him or her to vote in the election. This second (outside) envelope shall be addressed to the Inspector(s) of Election and may be mailed or delivered by hand to a location specified by the Inspector(s) of Election.

(d) *Balloting Time Requirements.* Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 5.8 (a)(3) and distribute a written ballot to every Member entitled to vote on the matter, delivered either by first-class mail or by the Association to every Member not less than 30 days before the deadline for voting. Written ballots shall be distributed to all eligible Members in Good Standing at least 30 days before the final date the secret written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable deadline for the return of the ballots to the Association in order to be counted. The deadline for the return of secret written ballots distributed to conduct an election of directors shall be established to coincide with the date of the annual Board or membership meeting at which the Members’ ballots are to be tabulated

(although the actual final deadline for the return of election ballots can be stated as being the close of business on the last business day preceding the date of that meeting in order to facilitate the tabulation of ballots).

Except in the case of written ballots distributed in the election of directors in accordance with this Section and California Civil Code §5100, the time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting solicitation materials accompanying the ballot and then for no more than two successive periods of 30 days each. If the right to extend the balloting period has been properly reserved, the Board's decision to extend the deadline for the return of ballots shall be agendized and acted on at a meeting of the Board that is open to attendance by the Members (see Section 8.6).

(e) *Requirements for Valid Member Action by Written Ballot.* Membership approval by written ballot shall only be valid if (1) the number of votes cast by ballot within the time established by the Board for the return of ballots equals or exceeds the quorum (as specified in Section 5.5) that would have been required to be present at a membership meeting if such a meeting had been convened to vote on the proposal; and (2) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at a formal membership meeting. In the case of the election of directors, those candidates who receive the highest number of votes, up to the total number of positions on the Board to be filled, shall be the successful, elected candidates.

(f) *Solicitation Rules.* Written ballots shall be solicited in a manner consistent with the requirements of Section 5.4 on issuance of notice of Members' meetings. All solicitations of written ballots shall indicate (1) the number of responses needed to meet the quorum requirement for valid action; (2) the time by which the written ballots must be received by the Association in order to be counted; and (3) the percentage of affirmative votes necessary to approve the measure. Written ballots distributed in connection with director elections and other membership votes subject to the secret ballot voting procedures set forth in Civil Code §5100 (see Section 4.4 (e)) must also conform with those secret ballot voting requirements.

(g) *Additional Balloting Procedures.* If deemed necessary by the Board of Directors, the written balloting shall be conducted in accordance with such additional procedures not inconsistent with the provisions of this Section or with applicable California law, as may be prescribed by a firm of public accountants or by the Association's legal counsel, who may also be retained to supervise the secrecy and conduct of the balloting process.

(h) *Notification of Results of Balloting Process.* On tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter before conclusion of the stated balloting period is insufficient to satisfy the minimum quorum requirements for valid Member action, the Board shall so notify the Members. Written ballots solicited with respect to any matter identified in Section 4.4 (e) shall be tabulated at a duly noticed meeting of the Board or Members that is open to attendance by all Members.

(i) *Prohibition of Revocation of Written Ballots.* Once cast, a written ballot may not be revoked.

(j) *Conduct of Informational Meetings.* Use of the written ballot procedures set forth in this Section shall not preclude the Association from also conducting informational meetings of the Members to provide information or a forum during the prescribed voting period or from scheduling a Board or membership meeting to coincide with the culmination of the prescribed balloting period.

Section 4.7. *Majority Vote of Members Represented at Meeting Required for Valid Action.* In any vote of the Members, whether conducted at a meeting or by a mailed or written ballot, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and have voted on any matter (other than the election of directors) shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law (Corp C §§7110–8910), by the Davis-Stirling Common Interest Development Act (CC §§4000–6150), or by the Governing Documents of the Association. In the case of director elections, the candidates receiving the largest number of votes, up to the number of directors to be elected, shall be elected to fill the vacancies.

Section 4.8. *Action by Unanimous Written Consent.* Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. If action is taken by written consent, the consent(s) shall be filed with the Association’s minutes.

ARTICLE V

Membership Meetings

Section 5.1. *Place of Meeting.* Meetings of the Members shall be held at the offices of the Association within the Development or at such other reasonable place and at such time as may be designated in the notice of the meeting. Unless unusual conditions exist, meetings of the Members shall not be held outside of the County.

Section 5.2. *Annual Meeting.* The annual meeting of the Members shall be held in the First Saturday of March of each year at the time, date, and location specified in the notice of meeting.

Section 5.3. *Special Meetings.*

(a) *Persons Entitled to Call Special Meetings.* A majority of the Board, the president, or 5 percent 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.* If a special meeting is requested by 5 percent or more of the Members, rather than being called by the Board of Directors or the 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 first-class, certified, or registered mail or by telegraphic or other facsimile transmission to the president, the vice president, or the secretary of the Association. On receipt of the Members’ demand for a special meeting, the Board shall cause notice to be promptly given to the Members in Good Standing, in the manner provided in Section 5.4 (e) , that a meeting will be

held and the date, time, and purpose for such meeting. Nothing contained in this subparagraph 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 of Directors or the president.

(c) *Effect of Approval of Actions at a Special Membership Meeting for Which Voting by Secret Mailed Ballot Is Required.* If a special meeting of the Members is called in response to a demand for the meeting received from petitioning Members under subparagraph (a) above, and if a Majority of a Quorum of the Members present at the meeting in person or by proxy approves an action that must be presented to the Members by use of a secret ballot in accordance with Section 4.4(e), the action taken by the Members at the special meeting to approve the proposed action is merely a directive to the Board of Directors to prepare and distribute a secret written ballot to all Members and to comply with the other secret ballot voting requirements and procedures set forth in Section 7.5 to afford all Members the opportunity to vote on the proposal. The underlying action or amendment shall be approved and become effective only after the conduct of that mailed secret ballot vote and approval by the prescribed number or percentage of affirmative Member votes.

Notwithstanding the foregoing, if the request for a special membership meeting to vote on an action identified in Section 4.4 (e) is signed by a majority or more of the Members in Good Standing, the Board may dispense with the calling of a special meeting and proceed directly to a secret ballot vote on the matter.

(d) *Special Meetings of Members to Vote to Reverse a Rule Change.* For purposes of this subparagraph, Civil Code §4340(b) defines a “rule change” to mean and include the adoption, amendment, or repeal of an operating rule as defined in Section 13.2.

If 5 percent or more of the Members call for a special meeting under Civil Code §4365 and Section 3.8 of the Declaration for the purpose of voting to reverse a rule change proposed by the Board of Directors, the Members’ request for the special meeting must be delivered to the Association within 30 days after the Members are notified of the proposed rule change. A Member has the right to request to copy or inspect the Association’s membership list solely for the purpose of soliciting signatures from other Members for the petition calling for a special meeting to vote on reversal of a rule change.

If a valid petition for such a special meeting is timely tendered to the Association, the rule change may be reversed by the affirmative vote of a Majority of a Quorum of the Members who are represented and voting at the special meeting unless the Governing Documents require a greater percentage for approval. The vote of Members on a proposed reversal of a rule change is not subject to the secret ballot voting procedures set forth in Civil Code §5100 and Section 7.5 of these Bylaws.

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 the manner specified in subparagraph (e)) in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Section 5.8.

(b) *Time Requirements for Notice.* Except in the case of membership meetings called in response to a valid demand received from 5 percent or more of the Members, notice of membership meetings shall be given (in the manner specified in subparagraph (e)) not less than 10 nor more than 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 20 days (nor more than 90 days) before the meeting. When a special meeting of the Members is called in response to a valid Member demand, the Board shall be obligated to send the Members a notice of the special meeting of the Members within 20 days following receipt of the Members' demand, and the meeting must be held on a date that is not less than 35 nor more than 90 days following the receipt of the request. If notice of the meeting is not given by the Board within 20 days after receipt of the request, the Members requesting the meeting may give the notice. See Section 5.3(b).

(c) *Minimum Requirements Regarding Content of Notice.* Notices of meetings of the Members shall specify the place, date, and hour of the meeting and (1) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) in the case of a regular meeting, those matters that the Board of Directors, 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 as 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 for election to the Board at the time the notice is given to the Members. As stated in the following subparagraph (d), certain significant actions may be acted on by the Members only when the notice of the meeting has informed the Members that the matter or action is on the agenda for action.

(d) *Specification of Certain Significant Actions.* If 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):

- (1) Removing a director without cause;
- (2) Filling vacancies on the Board of Directors under those circumstances requiring a vote of the Members under Section 7.5(d),
- (3) Amending the Articles of Incorporation of the Association, these Bylaws, or the Declaration in any manner requiring approval of the Members;
- (4) 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;
- (5) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration;
- (6) Voting on any election to voluntarily terminate and dissolve the Association; or

(7) Voting on any proposal to reverse a rule change when the special meeting is called in response to a valid Member petition in accordance with Civil Code §4365.

(e) *Manner of Service.* Notice of any meeting of the Members shall be given personally, by electronic transmission by the Association, or by mail or other means of written communication, addressed to a Member at the address of the Member appearing on the books of the Association or given by the Member to the Association for the purpose of notice. Notices that are given by electronic transmission (*i.e.*, by facsimile telecommunication or electronic mail) by the Association are valid only if the transmission complies with Corporations Code §20 (which provides that the Member-recipient has provided the Association with an unrevoked consent to the receipt of notices by electronic transmission and that the method of transmission is capable of creating a copy in legible tangible form). Furthermore, even when a proper Member consent to receipt of notices electronically has been provided, the Association shall use some other authorized means of notice if the electronic transmission is rejected consecutively on two occasions or if the person issuing the notice on behalf of the Association becomes aware of the inability to transmit the notice electronically.

If no address appears on the Association's books and no other address 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 to the Association's principal office or (2) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when 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. If so executed, the affidavit shall be filed and maintained in the minute book of the Association, and such affidavit shall constitute prima facie evidence that proper notice was given.

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.

(1) *Quorum for Votes on Assessment Increases; Special Assessments; Certain Significant Board Actions.* In the case of any membership meeting or written ballot called or conducted for the purpose of voting on Regular Assessment increases requiring membership approval or voting on those matters requiring Member consent under Section 9.2(b), the quorum requirement for valid action on the proposal shall be 50 percent of the Members.

(2) *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 40 percent of the Members eligible to vote and represented in person or by proxy _ at the meeting or to cast a written ballot.

(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.

(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, if 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 may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

(d) *Application of Quorum Requirements to Votes Conducted by Secret Ballot.* In any vote or election required to be conducted by use of a secret ballot meeting the requirements of Civil Code §5100 (see Section(s) 4.4(e) and 7.5(c)) and any other membership vote conducted by use of the written balloting process described in Section 4.6 each ballot received by the Inspector(s) of Elections from Members in Good Standing on or before the deadline established for the return of ballots shall be treated as a Member present at a meeting for purposes of establishing a quorum.

Section 5.6. *Adjourned Meeting.*

(a) *Adjournment Generally.* Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than 45 days) by the vote of the majority of Members present at the meeting, either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), at the reconvened meeting the Members may take any action that might have been transacted at the original meeting.

(b) *Time Limitations for Reconvening an Adjourned Meeting.* No meeting may be adjourned for more than 45 days. In addition, when adjournment is for lack of a quorum, the meeting shall be adjourned to a date that is not less than 5 or more than 30 days from the original meeting date.

(c) *Notice Requirements for Adjourned Meetings.* When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the new time and place are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment for any reason a new record date is fixed for notice or voting or a new date for the adjourned meeting is established, a notice of the time and place of the adjourned meeting must be given to each Member who is in Good Standing on the record date for notice of the meeting and thus is entitled to vote at the meeting. No meeting may be adjourned for more than 45 days.

Section 5.7. *Waiver of Notice or Consent by Absent Members.*

(a) *Waivers and Consents Generally.* If decisions are made or action is otherwise taken by the Members at a meeting when a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting in person or by proxy consents to the meeting by signing (1) a written waiver of notice;

(2) a consent to holding the meeting; or (3) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Section 5.4(d), in which case the waiver of notice or consent must state the general nature of the matter. All such waivers, consents, or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) *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 due to 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 under Section 5.4(d), if that objection is expressly made at the meeting.

Section 5.8. *Record Dates for Member Notice, Voting, and Giving Consents.*

(a) *Record Dates Established by the Board of Directors.* For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board of Directors may fix in advance a "record date" and only Members of record on the date so fixed are entitled to notice, vote, or take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board under this Section must meet the following requirements:

(1) *Record Date for Notice of Meetings.* In determining those Members entitled to notice of a meeting, the record date shall not be more than 90 days nor less than 10 days before the date of the meeting;

(2) *Record Date for Voting.* In determining those Members entitled to vote at a meeting, the record date shall not be more than 60 days before the date of the meeting;

(3) *Record Date for Action by Written Ballot Without Meeting.* In determining those Members entitled to cast written ballots or a secret mailed ballot, the record date shall not be more than 60 days before the day on which the first written ballot is mailed or solicited; and

(4) *Record Date for Other Lawful Action.* In determining those Members entitled to exercise any rights in respect to other lawful action requiring Member approval, the record date shall not be more than 60 days before the date of such other action.

(b) *Failure of Board to Fix a Record Date.* If the Board for any reason fails to establish a record date, the following rules shall apply:

(1) *Record Date for Notice of Meetings.* The record date for determining those Members entitled to receive notice of a meeting of Members shall be the business day preceding the day on

which notice is given or, if notice is waived, the business day preceding the day on which the meeting is held.

(2) *Record Date for Voting.* The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting or, in the case of an adjourned meeting, the day of the adjourned meeting.

(3) *Record Date for Action by Written Ballot Without Meeting.* The record date for determining those Members entitled to vote by written ballot or by secret mailed ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(4) *Record Date for Other Lawful Action.* The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be the close of business on the day on which the Board adopts the resolution relating thereto or the 60th day before the date of such other action, whichever is later.

(5) *“Record Date” Means as of Close of Business.* For purposes of this subparagraph (b), a person holding a membership as of the close of business on the record date shall be deemed to be the Member of record.

ARTICLE VI

Membership 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 Areas by Members and Family.* Each Member and the members of his or her family who also reside in the Member’s Residence shall be entitled to the use and enjoyment of all private roads, Common Areas, and Common Facilities within the Development except as limited by the Declaration.

Section 6.2. *Tenants and Lessees.*

(a) *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 Residence. Such assignment shall only be effective as long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the owner-lessor shall remain responsible for the lessee’s or tenant’s compliance with the provisions of the Governing Documents.

(b) *Restriction on Lessor’s Use of Certain Common Areas and Facilities.* Unless the owner-lessor is contemporaneously residing on another Lot within the Development, during the term of any lease or rental of a Lot, any owner not residing within the Development shall not be entitled to use the Lake, Common Areas or Common Facilities, other than roads, of the Development.

However the owner-lessor shall have the right to access his or her Residence to the extent reasonably necessary to perform the usual responsibilities of a landlord or to ensure or gain compliance by the tenant with the requirements of these Bylaws and the Declaration.

Section 6.3. *Invitees and Guests.* The invitees and guests of a Member shall have the right to use and enjoy the private roads and Common Areas and Common Facilities within the Development, subject to the same obligations imposed on the Member 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 Areas and Common Facilities within the Development shall at all times be subject to the rules, limitations, and restrictions set forth in these Bylaws, in the Declaration, and in the Association Rules as promulgated by the Board from time to time in accordance with Section 3.7 of the Declaration and Civil Code §§4340–4365. With the exception of the right to use any roads within the Development, the Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any recreational Common Facilities 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 on such Member or his or her tenants or guests under 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 Section 13.6 of the Declaration. The adoption of certain Operating Rules, as defined in Section 13.2 and Civil Code §4340, are subject to statutory obligations to first publish the proposed rules or rule changes to the Members, as more particularly provided in Section 13.2 of these Bylaws, Section 3.8 of the Declaration, and Civil Code §4360.

ARTICLE VII

Board of Directors

Section 7.1. *General Association Powers.* Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law (Corporations Code §§7110–8910), the Davis-Stirling Common Interest Development Act (Civil Code §§4000–6150), and any limitations contained in any of the Governing Documents of the Association 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 Association’s Board of Directors. Subject to the limitations expressed in Section 9.2, the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided, however, 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 (see Corporations Code §7210).

Section 7.2. *Number of Directors.* The Board of Directors shall consist of up to seven persons, who shall be Owners of Lots in the Development and whose memberships are in Good Standing.

Section 7.3. *Term of Office—Staggered Terms.* The directors of this Association shall serve for a term of two (2) years, with four (4) directors elected in odd-numbered years and three (3) directors elected in even-numbered years.

There shall be no limitation on the number of consecutive terms to which a director may be reelected.

Section 7.4. Nomination of Directors.

(a) *Deadline for Notifying Members of Nomination Procedures.* In accordance with Civil Code §5115(a), the Association shall provide General Notice of the procedures and the deadline for submitting a nomination for election to the Board at least 30 days before any deadline for submitting a nomination. If a Member requests that this notice be sent by some form of Individual Notice, that form of notice shall be used.

(b) *Right of Self-Nomination.* In accordance with Civil Code §5105(a)(3), any Member who meets the qualifications specified in Section 7.5 shall have the right to place his or her name in nomination for election to the Board of Directors as long as the Member tenders written notice to the Board of Directors of his or her desire to run for election at least 60 days before the date of the election. At least ninety (90) days before the date of the election, the Association shall give General Notice to the Members of this right of self-nomination.

(c) *Authority to Appoint a Nominating Committee.* Although Members have a right of self-nomination under the Civil Code, the Board of Directors shall nevertheless have the discretion to appoint a nominating committee to assist the Board in its efforts to advertise an upcoming election; educate interested Members regarding the duties, obligations, and standards for service as a director; advise the Board as to improvements or alterations in election procedures; and assist in identifying as many interested and qualified candidates as possible. If a Nominating Committee is appointed, it must adhere to the rules and criteria regarding the minimum qualification of candidates for election to the Board that are set forth in Civil Code §§5100 and 5105.

Section 7.5. Qualifications for Candidacy for Election to the Board. In accordance with Civil Code §5105, Members who wish to be nominated for election to the Board of Directors or who intend to declare their candidacy by self-nomination must meet the following qualifications:

(a) *Requirement of Being Current in Payment of Assessments; Exceptions.* To be eligible for nomination and election to the Board, the Association Secretary must certify that the candidate is current in the payment of all duly levied Regular and Special Assessments. Remaining current in the payment of all Regular and Special Assessment obligations shall also be a continuing qualification for a sitting director's continued service on the Board (see Section 7.8(c)(iv)). However, in accordance with Civil Code §5105(d), a nominee may not be disqualified for nonpayment of Regular or Special Assessments in any of the following circumstances:

(1) The nominee paid the Regular or Special Assessment under protest pursuant to Civil Code §5658;

(2) The candidate has entered into a payment plan with the Association to retire the delinquency under Civil Code §5665; or

(3) The candidate has not been offered the opportunity to engage in internal dispute resolution regarding the alleged delinquency under Civil Code §5660(e) and §5665.

Also in accordance with Civil Code §5105(d), a nominee may not be disqualified for nonpayment of fines, fines renamed as assessments, collection charges, late charges, or costs levied by a third party.

Refer to the Association's Election Rules for additional qualifications applicable to Members who are interested in becoming a candidate for election to the Board of Directors.

The fact that outstanding fines or penalties duly levied against a Member and his or her Lot by the Association cannot be cited as a reason for rejecting the Member's candidacy for election to the Board does not preclude the Association from pursuing collection remedies with respect to those fines and/or penalties that are otherwise permitted by law.

(b) *Requirement of Membership in the Association.* To be eligible for election to the Board, a person must be a Member of the Association and a natural person, subject to these two exceptions (Civil Code 5105(b)):

(1) *Nominees Chosen by Managers of Lots Held in the Name of an Entity.* If title to a Lot is held in the name of a legal entity that is not a natural person, the governing authority of the entity-owner shall have the power to appoint a natural person as the Member-representative for the entity-owner, and that designee may be a candidate as long as no other grounds for disqualification exist under the Davis-Stirling Act.

(c) *Disqualification Based on Co-Owners Serving Concurrently.* The Association shall disqualify a person from nomination as a candidate if the person (if elected) would be serving on the Board at the same time as another person who holds a joint ownership interest in the same Lot, if the proposed candidate and the other co-owner of the Lot is either properly nominated for the current election or an incumbent director. For purposes of this ground for disqualification, "joint ownership" includes any tenancy in common, community property ownership, trust, or other entity ownership in which the potential candidates (and a sitting director) both have an equity interest or any other marital or civil relationship interest that is recognized by California law. The purpose of this disqualification criteria is to promote a diversity of views, opinions, and decisions on the Board so that individual director decisions are not adversely influenced by familial issues or the co-ownership of a Lot or Lots in the Development.

(d) *Disqualification Based on Certain Criminal Convictions.* The Association shall disqualify any nominee who discloses, or if the Association is aware or becomes aware of, a past criminal conviction that would (if the person was elected) either prevent the Association from purchasing the fidelity bond coverage required by Civil Code §5806 or terminate the Association's existing fidelity bond coverage.

Section 7.6. *Election of Directors; Ballot Tabulation and Retention Requirements.* The following procedures shall be followed in the election of directors and in the conduct of other Member votes that must be conducted by use of a double-envelope mailed secret ballot (see also Section 4.4 (e)). Under the limited circumstances described in subparagraph (i) of this Section 7.6, in which at the close of nominations there are no more qualified candidates than positions on the Board to be filled in the election, the Inspector(s) of Elections may affirm the candidates as the duly elected directors by acclamation without conducting a vote by secret mailed ballot.

(a) *Coordination of Director Elections to Coincide With Date of the Annual Meeting.* In accordance with Civil Code §5115, the annual election of directors must be conducted using a double-envelope balloting process described in subparagraph (b); however, the results of the balloting and thus the deadline for voting shall be scheduled to coincide with the annual meeting of the Members. To be in compliance with the Civil Code secret balloting procedures, the secret ballots shall be mailed to every Member at least 30 days before the date of the annual Membership meeting. However, if for any reason an annual meeting of the Members is not held or the directors are not elected in a secret balloting process that is scheduled to coincide with the date of the annual membership meeting, the directors may be elected using the same secret balloting procedures, with the results of the election being tabulated at a special meeting called for that purpose (see subparagraph (f)). Announcement of any adjournment or extension of the initially stated conclusion of the balloting period shall be communicated by General Notice to all Members (or by Individual Notice to any Member who has requested Individual Notice).

(b) *Use of Mailed Secret Ballots; Ballot Completion and Distribution Requirements.* In accordance with Civil Code §5115, the annual election of directors, as well as certain other matters requiring Member approval that are identified in Section 4.4(e) , must be conducted using the double-envelope secret ballot voting process described in this Section 7.6.

The secret ballots, together with a copy of the Association’s Election Rules and two pre-addressed envelopes with instructions on how to return ballots, shall be mailed by first-class mail or delivered by the Association to every Member not less than 30 days before the deadline for voting. The Election Rules may be provided to the Members by either of the following methods: (i) posting the Election Rules to an Internet website and including the corresponding Internet website address on the ballot together with the phrase, in at least 12-point type, “The rules governing this election may be found here:” or (ii) by Individual Delivery.

The Association shall provide General Notice of all of the following to the Members at least 30 days before the ballots are distributed (or by Individual Notice if so requested by a particular Member):

- (1) The date and time by which, and the physical address where, ballots are to be returned by mail or handed to the Inspector or Inspectors of Elections;
- (2) The date, time, and location of the meeting at which the ballots will be counted; and
- (3) In the case of director elections, a list of all candidates’ names that will appear on the ballot.

To preserve the confidentiality of the voting Member, the voter may not be identified by name, address, or Residence or Lot number on the ballot. The unsigned ballot shall be inserted into an envelope that is sealed, and this sealed envelope is itself inserted into a second envelope that is sealed. In the upper left-hand corner of the second envelope, a space or lines shall be presented where the voter can print and sign his or her name, address, and Lot number. The second envelope shall be addressed to the Inspector(s) of Elections who shall tally the votes. The envelope containing the ballot may be mailed or delivered by hand to the location specified by the Inspector(s) of Elections (that location shall be stated in the balloting materials mailed to the

Members). Any Member may request a receipt from the Inspector(s) of Elections to confirm delivery of his or her ballot. Once a secret ballot is received by the Inspector(s) of Elections, it shall be irrevocable. The Inspector(s) of Elections or his or her designee may verify the Member's information and signature on the outer envelope before the meeting at which ballots are tabulated.

(c) *Determination of Election Results; Succession to Office.* As long as the minimum quorum requirement for valid action has been met, the candidates receiving the highest number of votes, up to the number of vacancies to be filled in the election, shall be elected as directors and shall take office immediately following their election. If 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 random drawing.

(d) *Supervision of Election Process; Appointment of Inspector(s) of Elections.* To insure secrecy of ballots and fairness in the conduct of director elections, the Board of Directors shall select an independent third party or parties to serve as the Inspector(s) of Elections. The number of Inspector(s) of Elections shall be one or three (see Section 1.4(k)). The person or persons appointed to serve as Inspector(s) of Elections shall have the full powers of an Inspector of Elections appointed by the Board under Corporations Code §7614. Without limiting the foregoing, and in accordance with Civil Code §5110(c), the Inspector(s) of Elections shall do all of the following:

(1) Determine the number of memberships that are in Good Standing and thus entitled to vote and the Voting Power of each;

(2) Determine the authenticity, validity, and effect of proxies, if any;

(3) Determine the existence of a quorum for conduct of the election (each ballot received by the inspector of elections from Members in Good Standing shall be treated as a Member present at a meeting for purposes of establishing a quorum). Even if a ballot is rejected by the Inspector(s) of Elections for voting purposes due to some irregularity or ambiguity relating to the manner in which the Member has marked the ballot to express his or her voting intentions, the ballot may be counted for quorum purposes if the Inspector(s), in their discretion, have determined that the ballot was received, completed, and cast by a Member in Good Standing;

(4) The Inspector(s) of Elections shall be the designated recipient of ballots. Sealed ballots shall at all times be in the custody of the Inspector(s) of Elections or at a location designated by the Inspector(s) until after the tabulation of the vote and expiration of the time for challenging the election under Corporations Code §7527, at which time custody of the ballots shall be transferred to the Association to be stored in a secure place for no less than 1 year after the date of the election;

(5) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote;

(6) Count and tabulate all votes;

(7) Determine when the polls close;

(8) Determine the tabulated results of the election; and

(9) Perform any acts as may be proper to conduct the election with fairness to all Members and in accordance with the Association Rules pertaining to the conduct of elections and Civil Code §§5100–5135.

Inspector(s) of Elections shall perform their duties impartially, in good faith, to the best of their abilities, and as expeditiously as is practical. If there are three Inspectors of Elections, the decision or act of a majority of the Inspectors shall be effective in all respects as the decision or act of all. Any report made by the Inspector(s) of Elections is prima facie evidence of the facts stated in the report.

(e) *Limitations on Association Election Activities.* In accordance with Section 9.2(a)(5), the Association shall be prohibited from using Association funds for campaign purposes, as defined in this Section, although this prohibition shall not apply to communications disseminated under an Association Rule that is intended to comply with the requirement imposed by Civil Code §5105(a)(1) that all candidates have equal access to Association media to communicate points of view that are reasonably related to the election. As used in this subparagraph, “campaign purposes” means the use of Association funds to advocate the election or defeat of any candidate or the inclusion of a candidate’s photograph or the prominent presentation of a candidate’s name in any communication from the Association or the Board within 30 days of the election (excepting the ballot and the balloting materials or communications that are made to comply with the equal access requirements for all candidates under Civil Code §5105(a)(1)).

(f) *Requirements for the Counting and Tabulation of Ballots.* In accordance with Civil Code §5120(a), the Inspector(s) of Elections or their designee must count and tabulate the votes in public at a properly noticed open meeting of the Board of Directors or the Members. This tabulation can take place at the annual membership meeting or at a duly convened Board or membership meeting conducted promptly thereafter that is open to attendance by the Members. Any candidate or other Member of the Association may witness the counting and tabulation of the votes. No person, including a Member of the Association or an employee of the Association’s management company, if any, shall open or otherwise review any ballot before the time and place at which the ballots are counted and tabulated by the Inspector(s) of Elections. Nevertheless, to facilitate the timely conduct of the election, the Inspector(s) of Elections or their designee may verify the Member’s information and signature on the outer envelope of the secret ballot before the meeting at which ballots are tabulated. Once a secret ballot is received by the Inspector(s) of Elections, it shall be irrevocable.

(g) *Announcement of the Results of the Election.* The tabulated results of the election shall be promptly reported by the Inspector(s) of Elections to the Board of Directors of the Association and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Association. Within 15 days of the election, the Board shall give General Notice to all Members of the tabulated results of the election (see Civil Code §5120(b)).

(h) *Retention of Ballots.* After tabulation, the ballots shall remain in the custody of the Inspector(s) of Elections until such time as the period for challenging the election under Corporations Code §7527 has expired, whereupon the Inspector(s) shall deliver the ballots to the

Association to be stored in a secure place for no less than 1 year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, on written request, make the ballots available for inspection and review by Association Members or their authorized representatives. To ensure that ballots are not tampered with or removed, the Inspector(s) of Elections shall be entitled to be present at any such inspection. If a recount of the ballots is required, the recount shall be conducted in a manner that shall preserve the confidentiality of each Member's vote.

(i) *Election by Acclamation.* If in any election of directors the number of candidates nominated (by the Nominating Committee or by self-nomination) on the date set for the close of nominations for open seats on the Board equals the number of director seats then up for election, then the Inspector(s) of Elections may declare that the nominees have been elected by acclamation and dispense with the requirement and expense of mailing, counting, and tabulating the ballots cast for the election, as contemplated by Civil Code §§5115–5125 and the first paragraph of this Section 7.6. Such election by acclamation shall be deemed to satisfy the obligations and requirements of Civil Code §§5100–5110 and conducting an election by the use of secret ballots shall not be required in that situation. The authority conferred by this subparagraph (i) shall not affect the Association's obligation to adopt reasonable nomination and election procedures as required by Civil Code §5105, including the adoption of qualifications for candidates, fair procedures for nomination (including self-nomination), and the selection of Inspector(s) of Elections to perform the duties and responsibilities stated in subparagraphs (d) through (h) to the extent they apply to an election by acclamation.

Section 7.7. Vacancies on Board of Directors.

(a) *Vacancies Generally.* A vacancy or vacancies in the Board of Directors 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) of this Section; (2) an increase of the authorized number of directors; or (3) the failure of the Members, in any election of directors, to elect the number of directors required to fill all vacancies in that election.

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

(c) *Authority of Board to Remove Directors.* Subject to the qualifications set forth in this subparagraph, the Board of Directors 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) Fails to attend three consecutive regular meetings of the Board of Directors that have been duly noticed in accordance with California Law and these Bylaws; or

(4) Fails to remain in Good Standing with the Association, as defined in Section 1.4(i).

In exercising its discretion to remove a director for his or her failure to attend duly noticed meetings, the Board may consider in mitigation medical hardship, business travel, financial hardships, or other factors, being mindful, however, of the benefits that accrue to the Members, as a whole, from the active and regular participation of the full Board of Directors. If the basis for removal of an incumbent director is the director's failure to remain current in the payment of Assessment obligations to the Association, the Board shall take no action to declare the delinquent director's seat to be vacated unless and until (1) the director has received the Pre-Lien Delinquency Notice prescribed in Section 4.10(b)(i) the Declaration and a period of at least 30 days has elapsed following delivery of that Notice to the Director without payment in full of all delinquent Assessments and other duly levied fees, interest, and reasonable costs of collection. An incumbent director who is a party to a Board-approved payment plan to retire delinquent assessments in accordance with Civil Code §5665 and who is in compliance with the terms of that plan shall be deemed to be in Good Standing for purposes of continued Board service unless the terms of the payment plan call for the director to resign from office.

(d) *Authority of Members to Remove Directors.* Except as otherwise provided in subparagraphs (c) and (e) of this Section, a director may only be removed from office before expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members conducted in accordance with the secret ballot voting requirements set forth in Section 7.6(c).

(e) *Protection of Cumulative Voting Rights.* Unless the entire Board of Directors is removed from office, no director may be removed when (1) the votes cast against removal (or not consenting in writing to such removal) would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all memberships entitled to vote were voted) and (2) the entire number of directors authorized at the time the targeted director was last elected to office were then being elected.

(g) *Filling of Vacancies.* Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors, even though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director by action of the Members, in which case the vacancy shall be filled by a vote of the Members conducted by secret ballot in accordance with Section 7.6 (c). Furthermore, 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 conducted by secret ballot in accordance with Section 7.6 (c).

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

Section 7.8. *Conflicts of Interest.* The provisions of Corporations Code §§7233 and 7234 (regarding the manner in which Association transactions in which a director has a material financial interest must be approved either by a disinterested vote of the Board or by a disinterested vote of the Members) shall apply to any contract or other transaction authorized,

approved, or ratified by the Board of Directors or a committee of the Board. Moreover, a director or member of a committee shall not vote on any of the following matters:

- (a) Discipline of the director or committee member;
- (b) An assessment against the director or committee member for damage to the Common Area or Common Facilities;
- (c) A request, by the director or committee member, for a payment plan for overdue assessments;
- (d) A decision whether to foreclose on a lien on the Lot and Residence of the director or committee member;
- (e) Review of a proposed physical change to the Lot and Residence of the director or committee member, under Article V of the Declaration; and
- (f) A grant of Exclusive Use Common Area to the director or committee member.

Nothing in this Section 7.8 limits any other provision of law or the Governing Documents that govern a decision in which a director may have an interest, and the Association Rules may include a Director's Conflict of Interest Code that supplements or expands on this statutory list of what constitutes a conflict of interest or interested director transaction.

ARTICLE VIII

Meetings of the Board of Directors

Section 8.1. *Place of Meetings; Meetings by Conference Telephone.*

(a) *Permitted Locations for Board Meetings.* Except as otherwise provided in subparagraph (b), regular and special meetings of the Board of Directors may be held at any place within the Development or the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association.

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

Section 8.3. *Other Regular Board Meetings.* Ordinarily, regular meetings of the Board of Directors shall be conducted at least monthly, provided, however, that regular meetings can be held as infrequently as every quarter if the Board's business does not justify more frequent meetings. Civil Code §5500 and Section 12.7 of these Bylaws require the Board to review Association financial accounts (including operating and reserve accounts, check registers,

monthly general ledger, and delinquent Assessment receivable reports) on a monthly basis. However, Civil Code §5501 provides that the monthly review requirement can be satisfied when every individual member of the Board, or a subcommittee of the Board consisting of the treasurer and at least one other Board member, reviews the documents and statements described in §5500 independent of a Board meeting, as long as the review is ratified at the next Board meeting and that ratification is reflected in the minutes of that meeting. In no event shall the Board meet on less than a quarterly basis.

If the Board adopts an annual schedule for the conduct of regular meetings (such as a schedule that calls for regular meetings to be held at a specific time and location on, e.g., the third Thursday of each month) and that schedule is communicated to all directors at the inception of the year, no further notice of a regular meeting shall be required unless the date, time, or location for a particular regular meeting is changed for any reason, in which case notice shall be provided to all directors in accordance with Section 8.5 (a). Accordingly, if a meeting on the schedule for a particular location is changed to be conducted as a meeting by phone conference (as permitted by Civil Code §4090(b)) the meeting shall be re-noticed.

Section 8.4. *Special Meetings of the Board.* Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two directors.

Section 8.5. *Notice of Board Meetings.*

(a) *Minimum Time Requirements for Giving Notice to Directors.* In the case of any special meeting of the Board, and if the Board has not fixed the time and location for regular meetings and provided each director with the schedule for regular meetings, notice shall be communicated to each Board member not less than 4 days before the date of the meeting, provided, however, that if the meeting qualifies as an Emergency Meeting (as defined in subparagraph (e)) or is a special meeting that can be called in executive session (see Section 8.6(e)), the time for providing notice is 48 hours before the meeting, unless notice is given by first-class mail, in which case the 4-day notice requirement remains in effect. Notice of a meeting of the Board need not be given to any director who has signed a waiver of notice or a written consent to the conduct of the meeting or an approval of the minutes of the meeting (whether before or after the meeting) or who attends the meeting without protesting, before or at the commencement of the meeting, the lack of notice to that director.

(b) *Manner of Giving Notice to Directors.* Each director shall be entitled to receive notice of meetings by any one of the following means: first-class mail; personal delivery; telephone, including a voice messaging system or other system or technology designed to record and communicate messages; facsimile; electronic mail; or other electronic means (as long as the director has provided his or her consent to the receipt of notices by electronic transmission).

(c) *Notice Contents.* The notice of any meeting of the Board shall state the time, place, purpose, and agenda of the meeting.

(d) *Members' Right to Receive Notice of Board Meetings.*

(1) *Requirement for Delivery of Notice Generally.* All Members of the Association shall be given notice of the time and place of all Board meetings (as defined in Section 8.6(a)), except for

Emergency Meetings (as defined in subparagraph (e)), at least 4 days before the date of the meeting. Unless an executive session meeting of the Board is called as an Emergency Meeting, Members are entitled to receive notice of executive session meetings at least 2 days before the meeting, even though Members may be excluded from attending the executive session under most circumstances (see Section 8.6(e)(3) for Members' limited right of attendance at some executive sessions).

(2) *Content of Notices to Members and Method of Delivery.* Notices of Board meetings shall include the agenda for the meeting and shall be given by any method of delivery constituting General Notice, unless a particular Member has notified the Association that he or she desires to have notices of Board meetings sent by some form of Individual Delivery. Notice may also be given by mail or delivery of the notice to each Lot in the Development or by newsletter or similar means of communication or by electronic means if the recipient Member has consented to receiving such electronic notice, as provided in Civil Code §4040(a)(2).

(3) *Special Notice Requirements for Members Who Are Subject to Possible Disciplinary Action.* In addition to the foregoing General Notice requirements for Members, if one or more particular Members are scheduled for possible disciplinary action on the agenda for a Board meeting, the Board must notify each subject Member in writing, by either personal delivery or Individual Delivery, at least 10 days before the date of the meeting. Any such special notice of possible disciplinary action must contain, at a minimum, the date, time, and location of the meeting, the nature of the alleged violation for which the Member is being considered for disciplinary action, and a statement that the Member has a right to attend the meeting and address the Board concerning the disciplinary matter. The Board shall meet in executive session if requested by the Member who is the subject of the possible disciplinary action.

(e) *Definition of Emergency Meeting.* For purposes of the Member notification requirements set forth in subparagraph (d) above, an Emergency Meeting of the Board is defined in Civil Code §4923 to mean a meeting called by the president or by any two members of the Board (other than the president) under circumstances that could not have been reasonably foreseen, that require immediate attention and possible action by the Board, and that of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act (see Section 8.6). Notice of Emergency Meetings must still be provided to each director (unless the director signs a waiver of notice, in accordance with Section 8.8) at least 4 days before the meeting if the notice is given by mail and at least 48 hours before the meeting when notice is delivered to a director by one of the other means stated in subparagraph (b) above.

Section 8.6. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the Common Interest Development Open Meeting Act (Open Meeting Act) (Civil Code §§4900–4955):

(a) *Meetings Generally Open to Members; Definition of What Constitutes a Board Meeting.* With the exception of executive session meetings of the Board (see subparagraph (e)), any Member of the Association may attend meetings of the Board of Directors. For purposes of the Open Meeting Act, the term “meeting” includes (1) any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate on any item of business that is within the authority of the Board, except those matters that may be discussed in

executive session; and (2) a teleconference in which a majority of the members of the Board, in different locations, are connected by electronic means, whether audio or video or both (Civil Code §4090). The Board may not take action on any item of business outside of a meeting, as so defined, and using a series of electronic transmissions (including e-mails) to conduct a meeting is not permitted except as a means of conducting an Emergency Meeting as defined in Section 8.5(e), if all members of the Board individually or collectively consent in writing to that form of Emergency Meeting. Written consent to conduct an emergency meeting may be transmitted electronically by the directors. In other respects, the authority that is generally conferred on nonprofit boards by California Corporations Code §7211(b) to take action by unanimous written consent is not authorized under the Open Meeting Act.

A Member of the Association shall be entitled to attend a teleconference meeting of the Board that is conducted in accordance with Section 8.1(b), or the portion of a teleconference meeting that is open to attendance by the Members. The open session portion of any teleconference meeting shall be audible to the Members at one physical location that is specified in the notice of the meeting.

The phrase “item of business,” as used in the Open Meeting Act and this Section, means any action within the authority of the Board, except those actions that the Board has validly delegated to any other person or persons, managing agent, officer of the association, or committee of the Board comprising less than a majority of the directors (Civil Code §4155). Accordingly, if any number of directors congregates for the purpose of generally discussing or receiving advice or instruction on matters of general interest to the Members and/or the Development or matters related to laws or regulations governing common interest developments or nonprofit mutual benefit corporations, and if the topics of discussion are not pending or scheduled as intended or possible action items for the Association, the congregation is not a “meeting” subject to the open meeting requirements of this Section. In the event that the decision is made to delegate authority to take certain actions to persons who are not directors or to a committee of the Board comprised of less than a majority of directors, the resolution authorizing that delegation shall clearly state the purpose of the delegation and the scope of authority being delegated.

(b) *Right of Members to Speak at Board Meetings.* In accordance with Civil Code §4925(b), the Board of Directors shall permit any Member to speak at any meeting of the Members or of the Board of Directors, except for Board meetings held in executive session under subparagraph (e). The Board or the chairperson of the meeting may impose reasonable time limitations on presentations or statements by Members. In the case of Board meetings, the agenda for the meeting may designate a specific time for Member statements and comments.

(c) *Meeting Agendas; General Restriction of Action to Items on the Agenda.* As required by Civil Code §4920(d), any notice of a Board meeting that is required by law to be distributed or made available to the Members must include an agenda for the meeting. Except as provided in clauses (1) through (5) of this subparagraph or in subparagraph (d), the Board of Directors may not discuss or take action on any item at a non-Emergency Meeting of the Board unless the item was placed on the agenda that was included in the notice given to the Members. Members who are not on the Board may, however, speak on issues that are not on the agenda (Civil Code §4930(a)). Notwithstanding the general rule that Board actions must be restricted to items shown on the meeting agenda, a member of the Board of Directors, a managing agent or other agent of

the Board, or a member of the staff of the Board of Directors may do any of the following (Civil Code §4930(b)):

- (1) Briefly respond to statements made or question posed by a person speaking at an open Board meeting;
- (2) Ask a question for clarification, make a brief announcement, or make a brief report on the director's own activities, whether in response to a question posed by a Member or based on the director's own initiative;
- (3) Provide reference or other resources for factual information to the Board's managing agent or other agents or staff;
- (4) Request the managing agent of the Association or other agents or staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct the managing agent, other agents, or staff to place a matter of business on a future agenda; and
- (5) Direct the Association's managing agent or other agents or staff to perform administrative tasks necessary to carry out the requirements of Civil Code §4930.

(d) *Authority to Take Action on Certain Items Not on the Published Agenda.* Notwithstanding the general rule that Board actions must be restricted to items shown on the Board meeting agenda, the Board of Directors may take action on any item of business not appearing on the posted meeting agenda under any of the following conditions (Civil Code §4930(d)):

- (1) On a determination made by a majority of the Board of Directors present at the meeting that an emergency situation exists. An emergency situation exists if there are circumstances that could not have been reasonably foreseen by the Board, that require immediate attention and possible action by the Board, and that, of necessity, make it impracticable to provide notice.
- (2) On a determination made by a vote of two-thirds of the members of the Board who are present at the meeting (or if less than two-thirds of total membership of the Board is present at the meeting, by a unanimous vote of the Board Members present) that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda for the meeting was posted and distributed to the Members.
- (3) An item was added to an agenda posted and distributed to the Members for a prior meeting of the Board of Directors, which occurred not more than 30 calendar days before the date that action is being taken on the item, and at that prior meeting action on the item was continued to the meeting at which the action is being taken.

Before discussing any item under this subparagraph (d), the Board shall openly identify the item to the Members in attendance at the meeting.

(e) *Executive Sessions.*

(1) *Definition of What Constitutes an Executive Session.* An executive session is a meeting that is conducted by the Board of Directors that is not open to attendance by all Members and

that is convened only to consider and potentially to act on one or more of the following matters only (Civil Code §4935(a)): (A) litigation in which the Association is or may become a party; (B) matters relating to the formation of contracts with third parties; (C) Member discipline; (D) personnel matters; or (E) on a Member's request, a meeting with that Member regarding the Member's payment of Assessments under a payment plan, as specified in Civil Code §4935(c).

(2) *Executive Sessions to Protect Attorney-Client Privilege.* In addition to the five justifications for meeting in executive session enumerated in Civil Code §4935(a), in accordance with Evidence Code §§950–955, the Board shall be entitled to meet in executive session with the Association's legal counsel to discuss documents, transactions, potential litigation, or other matters that are intended to come within the protection of the attorney-client privilege. The attorney-client privilege exists to protect against disclosure to third persons of information that the Association's legal counsel recommends to be confined only to the members of the Board and other persons to whom disclosure of the information is reasonably necessary to accomplish the purposes for which the Association's legal counsel has been consulted.

(3) *Executive Sessions to Address Member Disciplinary Matters.* The Board must 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 who is the subject of the disciplinary proceeding shall be entitled to attend the executive session.

(4) *Executive Sessions Called to Meet With a Delinquent Member.* If a Member who has received a Notice of Delinquent Assessment from the Association under Civil Code §5660 requests a meeting before the Board in executive session to discuss a payment plan, the Board shall meet with the Member in executive session within 45 days after receipt of the Member's request.

(5) *Manner in Which Executive Session Meetings May Be Called.* The Board can adjourn for purposes of meeting in an executive session, on the affirmative vote of a majority of the directors present at a meeting that is open to attendance by the Members at which a quorum has been established or an executive session meeting can be called independent from any open meeting of the Board. Civil Code §4935(a).

(6) *Reporting of Executive Session Meetings in the Minutes.* Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership (Civil Code §4935(e)). Although the phrase "generally noted in the minutes" is not further defined in Civil Code §4935(e), any description of the actions or topics that are appropriately discussed or acted on in an executive session meeting should be described in a manner that is consistent with the purpose and intent of the executive session, namely to preserve the confidentiality of what was discussed and the opinions that were expressed during the meeting.

(f) *Board Meeting Minutes; Right of Members to Obtain Minutes.* The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member on request and on reimbursement of the

Association's costs in making that distribution. Members of the Association shall be notified in the Association's Annual Policy Statement (distributed to the Members under Civil Code §5310) of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

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 of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect material financial interest; (b) appointment of committees; and (c) 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, the Articles, or by law.

Section 8.8. *Waiver of Notice.* The transaction of any meeting of the Board of Directors, 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 (a) a quorum is present and (b) 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 24 hours, notice of adjournment to any other time or place shall be given before the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as provided in the preceding sentence, notice of adjournment need not be given.

Section 8.10. *Compensation.* Directors, officers, and members of committees shall be entitled to reasonable compensation for their services to be set by the Members. They may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors 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

Section 9.1. *Specific Powers.* Without prejudice to the general powers of the Board of Directors 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 Water Master and other Association employees subject to any contractual obligations that may exist; prescribe the powers and duties for such persons that are consistent with the law, the Articles of Incorporation, 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 and Section 13.2 of these Bylaws, governing the use of the Common Areas, the Common Facilities, the Water Distribution System, and roads within the Development and the personal conduct of the Members and their guests, 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 Areas or Common Facilities, provided notice and a hearing are provided as set forth in Section 13.6 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, Common Areas, Common Facilities, and roads within the Development.

(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 to be maintained by the Association under Article X of the Declaration.

(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 Development or other portions of the Development, if any, that the Association is obligated to maintain, repair, or replace.

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

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Development that the Association is obligated to maintain, repair, and replace under Article XI of the Declaration or that have been damaged or destroyed and are to be rebuilt.

(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 9.2.

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

(l) Perform all acts required of the Board under the Declaration, these Bylaws, and the other Governing Documents of the Association.

(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, and prepare an annual financial report at no greater than annual intervals. A copy of the annual budget and the year-end financial report shall be delivered to each Member as provided in Section 12.5(b).

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

(o) Appoint such other committees as the Board deems necessary from time to time in connection with the affairs of the Association in accordance with Article X of these Bylaws.

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

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

(r) Bring and defend actions on behalf of the Members in common or the Association to protect the interests of the Members in common 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. Without limiting the foregoing, the Association has standing to institute, defend, settle, or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without necessity of joining its individual Members in matters pertaining to (1) enforcement of the Governing Documents; (2) damage to any portion of the Common Area; (3) damage to a Lot or Residence that involves portions of the separate interest that the Association is obligated to maintain or repair, if any; and (4) damage to a Lot or Residence that arises out of, or is integrally related to, damage to the Common Area or any portion of a Lot or Residence that the Association is obligated to maintain or repair (Civil Code §5980).

(s) Enter Lots as necessary, subject to the notice requirements set forth in the Declaration, in connection with construction, maintenance, or emergency repairs for the benefit of the Common Areas, Common Facilities. or the Owners in common. (See Section 3.7(b) of the Declaration.)

(t) Establish a rate structure for the water system which will bear a reasonable relationship to the cost of furnishing water services and said rate structure shall result in the accumulation and maintenance of a fund for the replacement of the respective facilities. In order to set this rate structure the Board of Directors shall employ the services of any professionals it deems necessary to properly carry out this function.

Section 9.2. *Limitations on Powers of the Board.*

(a) *Prohibited Actions.* The Association is prohibited from taking any of the following actions:

(1) *Deny Access to Residences and Lots.* Except as otherwise provided in the law or order of the court or an order under a final and binding arbitration decision, the Association shall not deny an Owner or occupant physical access to his or her Residence or Lot, either by restricting access through the Common Areas to the Owner's Residence or by restricting access solely to the Owner's Residence and Lot.

(2) *Assign or Pledge Future Assessment Obligations.* The Association may not voluntarily assign or pledge the Association's right to collect payments or Assessments or to enforce or foreclose a lien to a third party except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law when acting within the scope of that charter or license as security for a loan obtained by the Association. However, the foregoing provision may not restrict the right or ability of the Association to assign any unpaid obligations of a former Member to a third party for purposes of collection.

(3) *Adopt Rules Unreasonably Restricting Sales.* The Association shall not adopt a Rule or regulation that arbitrarily or unreasonably restricts an Owner's ability to market the Owner's Residence and Lot.

(4) *Establish Exclusive Broker Relationships.* The Association shall not establish an exclusive relationship with a real estate broker through which the sale or marketing of Residences or Lots is required to occur.

(5) *Use Association Funds for Campaign Purposes.* The Association shall be prohibited from using any Association funds for campaign purposes in connection with the election of directors. Funds of the Association may be used for campaign purposes in connection with any other Association election to the extent necessary to comply with duties of the Association imposed by law. For purposes of these limitations, "campaign purposes" include, but are not limited to, (1) expressly advocating the election or defeat of any candidate on the election ballot and (2) including the photograph or prominently featuring the name of any candidate on a communication from the Association or its Board of Directors, excepting the ballot and ballot materials, within 30 days of an election. This restriction shall not apply to any communication made as part of an Association's efforts to ensure that all candidates are provided with access to Association media, newsletter, or Internet websites during a campaign for purposes that are reasonably related to that election.

(b) *Board Actions Requiring Member Approval.* The Board of Directors shall not take any of the following actions without the consent of a simple majority of the Members constituting a quorum of more than 50 percent of the Voting Power of the Members of the Association (other than the Declarant):

(1) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that year.

(2) Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that fiscal year.

(3) Pay compensation to members of the Board of Directors or the officers of the Association, provided, however, that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in carrying on the business of the Association.

(4) Fill any vacancy on the Board of Directors created by the removal of a director by election of the Members.

(5) Enter into a Lot in a non-emergency situation unless the Owner is furnished with at least 24 hours' written notice, except in the case of an emergency as described in Section 3.7(b) of the Declaration.

(6) Enter into a contract with a third party for the furnishing of goods or services to the Common Areas or the Association for a term longer than 1 year. This restriction shall not apply to:

(A) FHA- or VA-approved management contracts;

(B) Public utility contracts when the rates charged for materials or services are regulated by the Public Utilities Commission, provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(C) Prepaid casualty or liability insurance policies for up to 3 years, provided the policy allows short rate cancellation by the insured;

(D) Agreements for cable television services and equipment or satellite dish television services and equipment for up to 5 years, as long as the supplier(s) is/are not entities in which the Declarant has a direct or indirect ownership interest of 10 percent or more; and

(E) Any contract for a term not exceeding 3 years, as long as the Association can terminate it after no longer than 1 year without cause, penalty, or other obligation on 90 days' prior written notice of termination to the other party.

ARTICLE X

Committees

Section 10.1. *Standing Committees of the Board.* The Association shall have the following Standing Committees, which shall be appointed annually by the Board of Directors:

(a) *Architectural Review Committee.* The Architectural Review Committee has responsibility for reviewing all plans for proposed Improvements that require Committee approval under Article V of the Declaration and proposed amendments to the Architectural Rules for review and approval by the Board. This Committee shall also prepare amendments to the Architectural Rules for review and approval by the Board or the Declarant (depending on which entity has authority under the Declaration to appoint a majority of the members of the Committee). This Committee

shall perform other duties as may be set forth in these Bylaws or in the Declaration (see particularly Articles V and VI of the Declaration).

(b) *Nominating Committee.* The Nominating Committee, if appointed by the Board, shall function in accordance with Section 7.4(c).

(c) *Covenants Committee.* The Board has the authority to appoint a Covenants Committee in accordance with Section 13.6 of the Declaration.

Only members in Good Standing may serve on Association committees.

Section 10.2. *Other Committees.* In addition to the standing committees identified in Section 10.1, the Board of Directors shall be authorized and empowered to appoint additional committees to assist the Board and management in the effective pursuit of the Association's business and affairs. Such committees, if appointed, shall be advisory to the Board, and the scope of their authority shall be as stated in the resolution creating the committee.

Section 10.3. *Organization of Committees; Standing Committees Chairpersons.* The members and Chairperson of the Design Sub-Committee shall be appointed to office in the manner prescribed in Section 5.2 of the Declaration. For each of the other Standing Committees described in Section 10.1, it shall be mandatory at the next regular Board meeting after election of the President that the Chairperson of each Standing Committee be appointed by the President with the advice and consent of the Board.

(a) *Appointment of Committee Members.* The Chairperson of each committee shall select and appoint the other members of the committee from the membership at large. The Chairperson shall be empowered to appoint chairpersons to respective subcommittees established by the Board.

(b) *Composition of Committees; Terms of Service.* Unless described differently herein or in the charter forming the committee, all Standing Committees shall have not less than three members. The terms for service of each member of a committee (other than the person designated by the President of the Association as Chairperson) shall be 2 years. The committee Chairperson shall have the discretion to allow members to serve up to two successive additional terms on the same committee. The limitation on the number of terms of service shall not apply to the committee Chairperson. The above requirements shall apply to all committees other than committees appointed by the President from time to time to serve a single and limited purpose.

Section 10.4. *Powers of Committees.* 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 also requires approval of the Members under the California Nonprofit Mutual Benefit Corporation Law.

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

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

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

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

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

Section 10.5. *Meetings and Actions of Committees.* Duly appointed committees of the Association shall meet with such frequency as is considered necessary or appropriate to accomplish the tasks and to perform the duties that have been delegated to each committee. All members of a committee shall receive at least 48 hours' prior notice of meetings. Notices may be given in writing, electronically, in person, or by telephone (as long as the committee member responds to the call or voice mail message). Special meetings of committees may also be called by resolution of the Board of Directors. If a committee has alternate members, those persons shall also receive notice of committee meetings and shall have the right to attend meetings of the committee. Unless otherwise provided in the Board resolution establishing the committee, minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

Unless otherwise provided in the Board resolution appointing a committee, all actions of committees established under this Article X shall be recommendations to the Board, and no committee shall have authority to bind the Association.

ARTICLE XI

Officers

Section 11.1. *Officers.* The officers of the Association shall be a president, a vice president, a secretary, and a chief financial officer. The Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant financial officers, and such other officers as may be appointed in accordance with the provisions of Section 11.3. Any person may hold two 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 until 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, either with or without cause, by the Board 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 or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the 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 the Bylaws for regular appointments to such office.

Section 11.7. *President.* The president shall be elected by the Board from among the directors. The president 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. The president shall preside at all meetings of the Board and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 11.8. *Vice President.* There shall be two Vice Presidents. The vice president 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 on, the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.9. *Secretary.* The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office, or such other place as the Board may order, a book of minutes of all meetings of directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The secretary shall

keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. The secretary shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and the secretary 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 the Bylaws.

Section 11.10. *Chief Financial Officer (Treasurer)*. 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 (a) 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; (b) 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; (c) disburse the funds of the Association as may be ordered by the Board; (d) render to the president and directors, whenever they request it, an account of all of the chief financial officer's transactions as treasurer and of the financial condition of the Association; and (e) have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. The books and records shall at all reasonable times be open to inspection by any director or Member. 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 Development are subject to Regular, Special, Special Individual, and Emergency 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 the president and chief financial officer or by such other officer(s) or person(s) as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association Reserve accounts shall require the signature of two directors or an officer (who is not also a director) and a director.

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 general operational needs, including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Development.

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 Major 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 and Financial Statements.* The following financial statements and related information for the Association shall be regularly prepared, and copies thereof shall be distributed to each Member of the Association:

(a) *Annual Budget Report.* In accordance with Civil Code §5300, not less than 30 days nor more than 90 days before the end of the Association's fiscal year, the Association shall distribute to the Members, by Individual Delivery, an Annual Budget Report that includes all of the following information:

(1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(2) A summary of the Association's Reserves, based on the most recent Reserve Study conducted under Civil Code §5550, prepared in accordance with Civil Code §5565 and Section 12.8.

(3) A summary of the Reserve Funding Plan adopted by the Board, as specified in Civil Code §5550(b)(5). The summary shall include notice to Members that the full Reserve Funding Plan is available upon request, and the Association shall provide the full Reserve Funding Plan to any Member upon request.

(4) A disclosure of any decision by the Board not to undertake needed repairs or replacements of Major Capital Improvements for which the Association is responsible, including a justification for the deferral or decision not to undertake the repair or replacement.

(5) A statement as to whether the Board, consistent with the Reserve Funding Plan adopted under Civil Code §5560 and Section 12.8, has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any Major Capital Improvements or to provide adequate Reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the Special Assessment.

(6) A statement as to the mechanism(s) by which the Board will fund Reserves to repair or replace Major Capital Improvements, including the levy or increase in Assessments, borrowing, the use of other assets, deferral of selected replacement or repair projects, or alternative methods.

(7) A general statement addressing the procedures used for calculating and establishing the Reserves to defray the future repair, replacement, or additions to Major Capital Improvements within the Development. This statement shall include, but need not be limited to, Reserve calculations made using the formula described in Civil Code §5570(b)(4) and may not assume a rate of return on cash Reserves in excess of two percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(8) A statement as to whether the Association has any outstanding loans with an original term of more than 1 year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(9) A summary of the Insurance Policies the Association is maintaining, including policies for property, general liability, earthquake, flood, and fidelity insurance. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it with the Annual Budget Report. The summary distributed under this subparagraph (9) shall contain, in at least 10-point boldface type, the following statement (prescribed by Civil Code §5300(a)(9)):

This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your Separate Interest, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage.

(10) A copy of the completed "Charges For Documents Provided" disclosure identified in Civil Code §4528. For purposes of this disclosure, "completed" means that the "Fee for Document" section of the form individually identifies the costs associated with providing each document listed on the form.

(b) *Manner of Distributing the Annual Budget Report.* The Annual Budget Report shall be made available to the Members by some form of Individual Delivery. Furthermore, if a Member requests full copies of the reports, full copies must be provided to that Member.

(c) *Inclusion of Civil Code 5570 Assessment and Reserve Disclosure Summary Form.* The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Civil Code §5570 and Section 12.9, must accompany each Annual Budget Report or summary of the Annual Budget Report that is delivered under this Section.

(d) *Summaries Versus Full Reports.* Although subparagraph (a) of this Section 12.5 speaks of a summary of various reports or documents being included in the Annual Budget Report, the Association may deliver copies of the full report or document. If a summary is provided, the summary shall include instructions on how to request a complete copy of the report at no cost to the Member, printed in at least 10-point boldface type on the first page of the summary. If a particular Member has requested that all reports be sent in full, the Association must deliver the full report to that Member, rather than a summary of the report.

Section 12.6. *Year-End Review of the Association's Financial Statement.* Within 120 days after the close of the fiscal year, the Association shall distribute to its Members, by Individual Delivery, a review of the financial statement of the Association, prepared in accordance with

generally accepted accounting principles by a licensee of the California Board of Accountancy, for any fiscal year in which the gross income to the Association exceeds \$75,000.

Section 12.7. *Review of Accounts.* On a monthly basis, the Board of Directors shall review

- (a) A current reconciliation of the Association's operating accounts;
- (b) A current reconciliation of the Association's Reserve Accounts;
- (c) The current year's actual operating revenues and expenses compared to the current year's budget;
- (d) The Association's latest account statements prepared by the financial institution(s) with whom the operating and Reserve Accounts are lodged;
- (e) The Association's income and expense statement for the operating and Reserve Accounts; and
- (f) The check register, monthly general ledger, and delinquent assessment receivable reports.

Section 12.8. *Required Reserve Studies.* At least once every 3 years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the Major Capital Improvements within the Development for which the Association is responsible and that have a remaining useful life of 30 years or less. This shall be done as part of a study of the Association's Reserve Account requirements if the current replacement value of the Major Capital Improvements for which the Association is responsible is equal to or greater than one-half of the gross budget of the Association, excluding the Association's Reserve Accounts for that period. The Board shall review this Reserve Study (or cause it to be reviewed) annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Account requirements for the Association Capital Replacement Projects as a result of that review.

The Reserve Study required by this Section shall identify each Major Capital Improvement for which the Association is responsible, and regarding those Major Capital Improvements, shall include at a minimum the following information:

- (a) The probable remaining useful life of those Major Capital Improvements as of the date of the Reserve Study;
- (b) An estimate of the cost of repair, replacement, restoration, or maintenance of those Major Capital Improvements;
- (c) An estimate of the total annual contribution necessary to defray the cost the Association Capital Replacement Projects during and at the end of the useful life of the Major Capital Improvements, after subtracting total reserve funds as of the date of the study; and
- (d) A Reserve Funding Plan that indicates how the Association plans to fund the contribution identified in subparagraph (c) to meet the Association's obligation to repair and replace the

Major Capital Improvements that have an expected remaining life of 30 years or less, not including those components that the Board has determined will not be replaced or repaired. This Reserve Funding Plan shall also include a schedule of the date and amount of any change in Regular or Special Assessments that would be needed to sufficiently fund the Reserve Funding Plan. The Reserve Funding Plan shall be adopted by the Board of Directors at a meeting that is open to attendance to the Members. If the Board determines that an Assessment increase is necessary to fund the Reserve Funding Plan, any increase shall be approved in a separate action of the Board that is consistent with the procedure described in Civil Code §5605 (requiring Member approval for certain Assessment increases or certain Special Assessments).

Section 12.9. *Statutory Assessment and Reserve Funding Disclosure Summary.* The disclosures required by the Association under this Article XII shall be summarized and presented to the Members in summary form using the form set forth in Civil Code §5570. The form required by the Civil Code may be supplemented as long as the minimum information set out in the statute is provided. For the purpose of the report and summary of the Association's assessment and Reserve disclosure, the amount of Reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. Nevertheless, this disclosure, which is mandated by law, shall not be construed to require the Board of Directors to fund Reserves in accordance with the calculation that is required to be disclosed under Civil Code §5565(d).

ARTICLE XIII

Other Required Reports and Disclosures to Members

In addition to the documents that the Association is required to distribute to the Members under Article XII, various statutes applicable to common interest developments and owner associations require that the following disclosures and information be provided to the Members of the Association on an annual or other periodic basis, as described in this Article XIII.

Section 13.1. *Annual Policy Statement.* Within 30 to 90 days before the end of the Association's fiscal year, the Board of Directors shall distribute to the Members, by Individual Delivery, an Annual Policy Statement that provides the Members with information about Association policies. The Annual Policy Statement shall include all of the following information (Civil Code §5310):

(a) The name and address of the person designated to receive official communications to the Association, under Civil Code §4035 (*i.e.*, documents that the law or the Governing Documents require Members to deliver to the Association).

(b) A statement explaining that a Member may submit a request to have certain notices sent to up to two different specified addresses, under Civil Code §4040(b).

(c) The location, if any, designated for posting of a General Notice (in a prominent location in the Development that is accessible to all Members and designated for the posting of General Notices), under Civil Code §4045(a)(3).

(d) Notice of a Member's option to receive General Notices by Individual Delivery, under Civil Code §4045(b).

(e) Notice of a Member's right to receive copies of meeting minutes, draft minutes, or a summary of the minutes within 30 days of the meeting, under Civil Code §4950(b).

(f) The notice, in at least 12-point type, entitled "NOTICE OF ASSESSMENTS AND FORECLOSURE" that the Association is required to deliver to its Members as part of the Annual Policy Statement, in the form set forth in Civil Code §5730.

(g) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments.

(h) A statement describing the Association's discipline policy, if any, including any schedule of penalties for violations of the Governing Documents as required by Civil Code §5850.

(i) A summary of the Association's dispute resolution procedures (ADR and IDR) adopted by the Board and distributed to the Members in accordance with Civil Code §§5920 and 5965. This notice must specifically reference Article 3 of Chapter 10 of the Davis-Stirling Common Interest Development Act and must include this statement:

Failure by any Member of the Association to comply with the pre-filing requirements of Civil Code section 5930 may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the Governing Documents or the applicable law.

(j) A summary of any requirements for approval of Improvement projects by the Architectural Committee under Article V of the Declaration (Civil Code §4765).

(k) The mailing address for overnight payment of assessments, which the Association must provide as a convenience to its Members under Civil Code §5655.

(l) Any other information that is required by law or the Governing Documents or that the Board determines to be appropriate for inclusion in the Annual Policy Statement.

Although subparagraphs (a) through (l) of this Section 13.1 often speak of a summary of various reports being included in the Annual Policy Statement, the Association may deliver copies of the full report. If a summary is provided, the summary shall include instructions (printed in at least 10-point boldface type on the first page of the summary) on how to request a complete copy of the report at no cost to the Member, and if a particular Member has requested that all reports be sent in full, the Association must deliver the full report to that Member, rather than a summary of the report, as provided in Civil Code §5320.

Section 13.2. *Notification to the Members of Rule Changes.*

(a) *Rule Changes Requiring Notification to Members.* For purposes of this Section, a "Rule Change" is defined as any proposed action by the Board of Directors to adopt, amend, or repeal an Operating Rule (*i.e.*, any regulation adopted by the Board that applies generally to the management and operation of the Development or the conduct of the business and affairs of the

Association). See Civil Code §4340. An Operating Rule is one that pertains to any of the following subjects:

- (1) Use of the Association Common Areas of the Development;
- (2) Use of a Lot or Residence (including, without limitation, the adoption or amendment of any Design Guideline);
- (3) Rule Changes relating to Member discipline, including any action to adopt or amend a fine schedule or procedures for the imposition of penalties;
- (4) Any standards for delinquent assessment payment plans;
- (5) Any procedures adopted by the Association for resolution of disputes;
- (6) Any procedures for reviewing and approving or disapproving a proposed physical change to a Member's Unit under Article V of the Declaration; and
- (7) Procedures for the conduct of elections.

Specifically excluded from the definition of a Rule Change or an Operating Rule are the following: (a) a decision regarding maintenance of the Common Area; (b) decisions on specific matters that are not intended to apply generally; (c) decisions setting the amount of the Regular Assessment or Special Assessment; (d) Rule Changes that are required by law if the Board has no discretion with respect to the substantive effect of the Rule Change; and (e) issuance of a document that merely repeats existing law or the Governing Documents.

- (b) *Required Notice to Members.* Under Civil Code §4360, the Board must provide notice by General Delivery (as described in Civil Code §4045) of a proposed Rule Change (as defined in subparagraph (a) above) to the Members at least 28 days before making any rule change. The notice must include the text of the proposed Rule Change and a description of the purpose and effect of the proposed Rule Change. Notice is not required under this subparagraph if the Board determines that an immediate Rule Change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association. The decision on any Rule Change that is subject to these notice requirements shall be made by the Board at a duly noticed meeting that is open to the Members, after consideration of any comments made by the Members. As soon as possible after making a Rule Change (but in no event later than 15 days thereafter), the Board shall deliver notice of the Rule Change to every Member by General Notice. If the Rule Change was an emergency Rule Change, the notice shall include the text of the Rule Change, a description of the purpose and effect of the Rule Change, and the date that the Rule Change expires (emergency rules cannot remain in effect for more than 120 days). The Member notification requirements for the seven categories of operating rules listed in subparagraph (a) above are intended to afford Members the right to demand that the Board conduct a special meeting or a written ballot vote to rescind the proposed rule change in accordance with Civil Code §4365 (which sets forth procedures for a Member-initiated plebiscite to challenge a proposed rule change).

ARTICLE XIV
MISCELLANEOUS

14.1. *Inspection of Books and Records.*

(a) *Member Inspection Rights.*

(1) *Scope of Inspection Rights of Members.* All accounting books and records; minutes of proceedings of the Members, the Board, and committees of the Board; the membership list of the Association; and other documents defined as “association records” or “enhanced association records” shall at all times, during reasonable business hours, be subject to the inspection of any Member in accordance with the requirements and restrictions set forth in Civil Code §§5200–5240. The Member who desires to inspect those documents must submit a written request for inspection to the Association, and that request must state a reason for the requested inspection that reasonably relates to the Member’s interests in the Association. The accounting books and records, the minutes of proceedings of an Association, and any information contained in those records may not be used or sold for commercial purposes or used for any other purpose that is not reasonably related to a Member’s interests as a Member. Prohibited uses of the Association’s membership list are set forth in Corporations Code §8338 (see also Civil Code §5230), and the Association shall have the right, under Corporations Code §8330, to offer a Member who is seeking access to the membership list an alternative method of achieving the Member’s stated purpose without providing access to or a copy of the list itself, as long as the Association presents its alternative method within 10 days following receipt of the Member’s request.

(2) *Association’s Right to Withhold Information.* The Association has the right to withhold or redact information from the accounting books and records and the minutes of proceedings for any of the following reasons: (1) the release of the information is reasonably likely to lead to identity theft (*i.e.*, the unauthorized use of another person’s personal identifying information to obtain credit, goods, services, money, or property); (2) the release of the information is reasonably likely to lead to fraud in connection with the Association; (3) the information is privileged by law; (4) the release of the information is reasonably likely to compromise the privacy of an individual Member of the Association; or (5) the information contains any of the items specified in Civil Code §5215(a)(5). However, except as provided by the attorney-client privilege, the Association may not withhold or redact information concerning compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be presented only by job classification or title, and not by use of the employee’s name, social security number, or other personal information.

(3) *Designation of Agent for Purposes of Inspection.* A Member may inspect and copy those records that are open to Member inspection either in person or through his or her duly appointed representative. If a Member designates another person to inspect and/or copy Association records that are open to Member inspection, that designation must be in writing.

(4) *Where Inspection Rights May Be Exercised.* The Association shall make the accounting books and records and the minutes of proceedings available for inspection and copying in the Association’s business office within the Development or, if there is no such office, at a mutually

agreeable location as established by the Association and the Member who requests the inspection (Civil Code §5205(c), (d)). If the Association and the requesting Member cannot agree on a place for inspection and copying under this subparagraph, or if the requesting Member submits a written request directly to the Association for copies of specifically identified records, the Association may satisfy the requirement to make the Association records available for inspection and copying by delivering copies of the specifically identified records to the Member by Individual Delivery within the time periods specified in Civil Code §5210(b).

(5) *Cost of Copies.* The Association may bill the requesting Member for its direct and actual cost of copying and mailing requested documents as long as the Association informs the Member of the amount of the copying and mailing costs before sending the requested documents. Civil Code §5205(f). Except as otherwise provided in subparagraph (3) above and in Civil Code §§4525–4535 (which obligate associations to provide certain information to requesting Members), nothing in this subparagraph shall be construed to obligate the Association to make copies of requested documents or to organize or compile specific information or categories of information sought by a requesting Member when the Association has made the information available for inspection and copying by the Member or his or her agent.

(6) *Electronic Delivery of Information.* Requesting parties shall have the option of receiving specifically identified records (and the Association may deliver specifically identified records) by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that does not allow the records to be altered. Under such circumstances, the cost of duplication for purposes of subparagraph (5) above shall be limited to the direct cost of producing the copy of a record in that electronic format. Civil Code §5205(h).

(b) *Director's Inspection Rights.* Every director shall have an absolute 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. All Directors should consider their fiduciary obligations to act in good faith and in a manner the director believes to be in the best interests of the Association in determining what use and/or dissemination is to be made of information obtained in the director's exercise of his or her inspection rights.

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

Section 14.2. Water Master. The Board of Directors shall employ the services of a Water Master. The duties of the water master shall include (but are not limited to): supervising and assisting in the installation of pipelines, water connections and other works for the Association, supervising and distribution of water, and any other duties. The Water Master shall render a report to the President and the Board of Directors annually or as requested by the Board of Directors. The Water master may employ such assistants as may be necessary. , and consistent with the laws of the State of California, on such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the Water Master any of its day-to-day management and

maintenance duties and powers under these Bylaws and the Declaration, provided that the Water Master shall at all times remain subject to the general control of the Board.

Section 14.3. *Corporate Seal.* The Association shall have a seal in circular form having within its circumference the words Woodrige Mutual Water and Property Onwers Corporation, Incorporated December 29, 1978 State of California.”

Section 14.4. *Roberts Rules of Order.* If a question or dispute concerning the procedural aspects of any meeting 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 14.5. *Amendment or Repeal of Bylaws.*

(a) *Member Approval Requirements.* These Bylaws may be amended or revoked in any respect by the affirmative vote of the holders of not less than 51 percent of the Voting Power of the Members. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. Any vote to amend these Bylaws shall be conducted in accordance with the secret ballot voting procedures set forth in Section 7.5.

(b) *Approval of Certain Amendments by Holders of First Mortgages.* As provided in Section 14.12 of the Declaration, certain material amendments to the Bylaws (which are enumerated in that Section of the Declaration) must also be presented to, and approved by, at least 51 percent of the Eligible Mortgagees who hold mortgages on Lots and Residences in the Development.

Section 14.6. *Notice Requirements.* Any notice or other document permitted or required to be delivered as provided in these Bylaws may be delivered in either the manner or form of delivery mandated by the Davis-Stirling Act or by Individual Delivery or General Delivery. If a document is delivered by mail, delivery is deemed to be complete on deposit into the United States mail. If a document is delivered by electronic means, delivery is complete at the time of transmission. If the Association or a Member has consented to receive information by electronic delivery, and a provision of the Davis-Stirling Act requires that the information be in writing, that requirement is satisfied if the information is provided in an electronic record capable of retention by the recipient at the time of receipt. An electronic record is not capable of retention by the recipient if the sender or its information processing system inhibits the ability of the recipient to print or store the electronic record.

Section 14.7. *Indemnification of Agents.*

(a) *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 §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 statute and including an action by or in the right of the Association by reason

of the fact that such person is or was a person described by that section. As used in this Section, the term “expenses” has the same meaning as in Corporations Code §7237(a).

(b) *Approval of Indemnity by Association.* On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine under Corporations Code §7237(e) whether the applicable standard of conduct set forth in §7237(b) or §7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code §7237(e) whether the applicable standard of conduct set forth in §7237(b) or §7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

(c) *Advancement of Expenses.* To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under subparagraphs (a) and (b) of this Section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid, unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(d) *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 14.8. *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, a singular number includes the plural, and a 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 THE SECRETARY

The undersigned Secretary of the corporation known as WOODRIDGE MUTUAL WATER AND PROPERTY OWNERS CORPORATION hereby certifies that the above and foregoing Restated Bylaws, consisting of _ ____ _ pages, were duly adopted by a vote of the Members of the Association on _ _____ _ and that they now constitute the Bylaws of the Association.

WOODRIDGE MUTUAL WATER AND
PROPERTY OWNERS
CORPORATION, a California
nonprofit mutual

___ benefit corporation

___ By _____

___ Secretary