

BYLAWS OF THE  
SANTA ROSA RANCHOS HOMEOWNERS ASSOCIATION,  
A California Non-Profit Mutual Benefit Corporation

ARTICLE I  
IDENTIFICATION

1.1 Name: The name of this corporation is SANTA ROSA RANCHOS HOMEOWNERS ASSOCIATION, a California non-profit mutual benefit corporation (hereinafter the "Association").

1.2 Principal Business Office. The principal business office of the Association is hereby fixed and located at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
DONALD STACY, M.B.A., C.M.A., E.A.  
CANYON LAKE PROFESSIONALS  
31682 RAILROAD CANYON RD #6  
CANYON LAKE, CA 92587

1.3 Non-Profit Corporation. The Association is a non-profit mutual benefit corporation organized and duly incorporated under the Nonprofit Mutual Benefit Laws of the State of California.

1.4 Definitions. The definitions set forth in Article I of the Declaration of Establishment of Covenants, Conditions and Restrictions for the Project (hereinafter the "Declaration") shall have the same meanings in these Bylaws as set forth in the Declaration and each such definition is hereby incorporated by this reference as though set forth at length hereat.

1.5 Applicability. The provisions of these Bylaws shall apply to the multi-phase residential planned development project (hereinafter the "Project") known as Santa Rosa Ranchos which is located in Riverside County, California, within that certain real property more particularly described as:

(i) Lots 1-57, inclusive, of Tract No. 14116-1 in the unincorporated territory of the County of Riverside, State of California, as per Map filed in Book 161, Pages 65-70 of Maps, in the Office of the County Recorder of said County; and

(ii) Upon annexation pursuant to the procedure set forth in the Declaration (hereinafter defined), Lots 1-36, inclusive, of Tract No. 14116-2 in the unincorporated territory of the County of Riverside, State of California, as per Map filed in Book 163, Pages 48-51 of Maps, in the Office of the County Recorder of said County.

(iii) Such other real property as may be annexed

into the Project under and pursuant to the procedure set forth in the Declaration.

All present and future owners and tenants, together with their respective employees, guests, invitees and any other person that shall use the facilities of the Project in any manner, are hereby made subject to the provisions of these Bylaws, as such Bylaws may be duly amended from time to time. The act of acquisition or rental of any of the Lots in the Project or the act of occupancy or use of any of the Lots or Common Areas and facilities within the Project (as owner, lessee, renter, invitee or otherwise) will signify that these Bylaws are accepted, ratified, and shall be complied with.

## ARTICLE II ASSOCIATION MEMBERSHIP

2.1 Membership. Every person or entity who or which is an owner of a fee or undivided fee interest in any residential lot within the Project which is subject by covenants of record to assessment by the Association shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a lot merely as security for the performance of an obligation, but shall include the owners of lots subsequently annexed into the Project, if any.

2.2 Voting Rights. The Association shall have two (2) classes of voting membership, as follows:

2.2.1 Class A. The Class A members shall be all Owners of residential lots within the Project except Declarant, and shall be entitled to one (1) vote for each lot so owned. When two (2) or more people or entities own a lot, all such persons or entities shall be members of the Association and the vote for such lot shall be exercised as the co-owners among themselves determine. In no event, however, shall more than one (1) vote be cast with respect to any individual residential lot.

2.2.2 Class B. The Class B member shall be Declarant who shall be entitled to three (3) votes for each residential lot in the Project owned by Declarant upon which Declarant is then paying the appropriate monthly assessments provided for in the Declaration. The Class B membership shall cease and be converted to Class A membership upon the first to occur of the following events:

A. When the total number of votes outstanding in the Class A membership equals the total number of votes outstanding in the Class B membership; or

B. Not later than the second anniversary of the original issuance of the Final Subdivision Public Report for a phase of the overall Project by the California Department of Real Estate; or

C. Four (4) years from the date of the original issuance of the Final Subdivision Public Report for the first phase of the overall Project.

2.2.3 Exclusion of Declarant's Votes. Any provision in the Declaration, these Bylaws or the Association's Articles of Incorporation (hereinafter the "Governing Instruments") calling for membership approval of action to be taken by the Association, except provisions with respect to any action to enforce the obligations of the Declarant under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Any requirement elsewhere in the Governing Instruments, except with respect to any action to enforce Declarant's obligations under any completion bond, that the vote(s) of Declarant shall be excluded, shall be applicable only if there has been a conversion of the Class B member to a Class A membership, and such requirement shall be interpreted to require the vote of the prescribed percentage of the Class A members and the vote of the prescribed percentage of the Class A members other than Declarant.

2.4 Voting, Cumulative Voting. If more than one (1) person or entity is the record owner of a residential lot within the Project, the one (1) vote for that lot shall be as decided by such parties between themselves. Voting may be by voice or show of hands, or by ballot; provided that all elections for directors shall be by secret written ballot. Where a quorum is present at any Association meeting, except with respect to the election of directors, the affirmative vote of the majority of each class of membership represented at the meeting and entitled to vote on such matters shall be deemed the duly-authorized act of the Association unless the vote of a greater number of members is required by the Governing Instruments. Every member entitled to vote at any election of directors shall have the right to cumulate his votes, provided no member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting and a member has given notice at the meeting prior to the voting of such member's intention to cumulate votes. In cumulative voting, each member shall be entitled to the number of votes equal to the number of residential lots within the Project such member owns multiplied by the number of directors being elected. If any one member has given such notice, all members may cumulate their votes for candidates in nomination. Under cumulative voting, a member may give one candidate the number of votes to which his interest is entitled, or may distribute such votes among the various candidates as such member sees fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.

2.5 Removal of Directors. Unless the entire Board of

directors is removed from office by the vote of the members of the Association, no individual director shall be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the full number of directors authorized at the time of the most recent election of the Board of Directors were then being elected. If any or all of the directors are removed by the members, new directors may be elected at the same meeting.

So long as the majority of voting power resides in Declarant, no less than twenty percent (20%) of the members of the Board of Directors shall be elected solely by the votes of the members of the Association other than Declarant:

A director who has been elected to office solely by the votes of members of the Association other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the votes of members of the Association other than Declarant.

2.6 Vesting of Voting Rights. The voting rights attributed herein to any residential lot in the Project shall not vest until the assessments provided in Article VIII hereof have been levied by the Association against such lot.

2.7 Transfer of Membership. The Association membership held by any owner of a lot may not be transferred, pledged, or alienated in any way, except upon and as part of the sale or encumbrance of the lot to which such membership is appurtenant. The Association membership may only be transferred, pledged or alienated to a bona fide purchaser of the lot, or to the mortgagee (or third-party purchaser) of such lot upon a foreclosure sale. Any attempt to make a prohibited transfer of the Association membership shall be void and will not be reflected upon the books and records of the Association.

### ARTICLE III MEETINGS OF THE ASSOCIATION

3.1 Place of Meetings. All annual or other meetings of the members of the Association shall be held within the Project or at a meeting place as close thereto as possible. Association meetings shall not be held outside of the county in which the Project is situated, unless necessitated by unusual conditions.

3.2 Annual Meetings. The first meeting of the Association will be held no later than forty-five (45) days after the close of escrow for the sale of the residential lot which represents fifty-one percent (51%) of the lots in the Project authorized for sale by the Final Subdivision Public Report issued by the California Department of Real Estate, but in no event shall such

meeting be held later than six (6) months after the close of escrow for the sale of the first lot within the Project. At the first meeting of the Association, the members shall elect a Board of Directors to govern the Association. Thereafter, Association meetings will be held on an annual basis on the second Wednesday in January of each succeeding year at eight o'clock post meridian (8:00 p.m.). Should the annual meeting date fall upon a legal holiday, then the annual meeting of the Association shall be held at the same time and place on the next business day. At each annual meeting, directors shall be elected, reports of the affairs of the Association shall be presented and considered, and any other business transacted which is within the power of the members of the Association.

3.3 Notice of Annual Meeting. Written notice of each annual meeting shall be given to each member entitled to vote, either personally, by mail, or by other means of written communication, charges prepaid, addressed to such member at the address appearing on the books of the Association, or at the address given by such member for purposes of notice. If any notice or report addressed to the member at the address appearing on the books of the Association is returned to the Association by the United States Postal Service marked to indicate that the Postal Service is unable to deliver the notice or report at such address, all future notices or reports shall be deemed duly given without mailing if same shall be available for the member upon written demand at the principal office of the Association for a period of one (1) year from the date of giving of the notice or report to the other members. Notice of annual meetings shall be given to each member entitled thereto not less than ten (10) days, nor more than ninety (90) days, before each annual meeting. Notice shall be deemed to have been given at the time of personal delivery or at the time of deposit into the mail or forwarding by other means of written communication. An affidavit of mailing of any notice in accordance with the foregoing provisions, executed by the Secretary, assistant-Secretary or any transfer agent of the Association shall constitute prima facie evidence of proper notice.

Each notice of annual meeting shall specify:

- (i) The place, date, and hour of such meeting;
- (ii) The matters which the officers or Board of Directors intends to present for action by the members at the time of the mailing of the notice; and
- (iii) If directors are to be elected at such meeting, the names of nominees for the Board of Directors intended to be presented by the existing officers or Board of Directors for election.

3.4 Special Meetings. Special meetings of the members of the Association for the purpose of taking any action permitted

under the California Nonprofit Mutual Benefit Corporation Law and the Governing Instruments shall be promptly called in response to (i) the vote of a majority of a quorum of the Board of Directors, or (ii) the receipt of a written request therefor signed by members representing at least five percent (5%) of the total voting power of the Association. Not less than ten (10) days nor more than ninety (90) days written notice of such meeting shall be given to the members. In addition to the information required in Section 3.3, notice of any special meeting shall specify the general nature of the business to be transacted thereat, and no other business may be transacted.

3.5 Quorum for Meetings. The presence in person or by proxy of owners holding at least fifty-one percent (51%) of the total voting power of the Association shall constitute a quorum for the transaction of business at all Association meetings. In the absence of a quorum at any Association meeting, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. A meeting adjourned for lack of a quorum shall be rescheduled to a date not less than five (5) days and not more than thirty (30) days from the date of the original meeting date, and the quorum for such meeting shall be at least twenty-five percent (25%) of the total voting power of the Association, present in person or by proxy. If a time and place for the rescheduled meeting is not fixed by those in attendance at the original meeting or if for any reason a new date, time or place is fixed for the rescheduled meeting after adjournment, notice of the time and place of the new meeting shall be given to the members in the manner prescribed.

3.6 Attendance by Proxy. Every member of the Association entitled to vote or execute consents shall have the right to do so either in person or by an agent authorized by written proxy executed by such person (or such person's duly authorized agent) and filed with the secretary of the Association. Any proxy duly executed is not revoked and shall continue to full force and effect until such time as: (i) an instrument revoking the proxy or a duly executed proxy bearing a later date is filed with the secretary of the Association prior to the vote pursuant thereto; or (ii) the person executing the proxy attends the meeting and votes in person. No proxy shall be valid after the expiration of thirty (30) days from the date of its execution unless the person executing same specifies therein the duration for which such proxy shall continue in force.

3.7 Adjournment of Meetings. Any Association meeting, annual or special, whether or not a quorum is present, may be adjourned to a new date or time by the vote of a majority of the members of the Association present thereat in person or by proxy. In the absence of a quorum at an Association meeting, no other business may be transacted except as provided in Paragraph 3.5 herein.

In the event any Association meeting, either annual or

special, is adjourned for reasons other than the absence of quorum for forty-five (45) days or more, or in the event a new meeting date is fixed for the adjourned meeting following adjournment, notice of the new meeting shall be given as provided for any other meeting. Except as provided above, it shall not be necessary to give notice of the adjourned meeting or of the business to be transacted thereat, other than by announcement of the time and place thereof at the meeting at which such adjournment is taken.

3.8 Validity of Defectively Called or Noticed Meetings. The transaction of any meeting of the Association either annual or special, however called and noticed, shall be valid as though held after the prescribed call and notice if (i) a quorum is present either in person or by proxy, and (ii) if, either before or after the meeting, each of the persons entitled to vote and not present in person or by proxy, or who though present at the beginning of the meeting has properly objected to the transaction of business because the meeting was not lawfully called or convened, or who has objected to particular matters of business legally required to be included in the notice, but not so included, signs a written "Waiver of Notice", or written consent to the holding of such meeting, or gives written approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the Association's records or made a part of the minutes of the meeting.

3.9 Action Without a Meeting. Any action which may be taken by the vote of the members at a regular or special meeting, except the election of members of the Board of Directors where cumulative voting is required, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code.

#### ARTICLE IV BOARD OF DIRECTORS

4.1 Powers. Subject to limitations of the Declaration and Articles of Incorporation and of the California Nonprofit Mutual Benefit Corporation Law concerning actions which must be authorized or approved by the members of the Association; and subject to the duties of the directors as delineated in these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association managed by the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, the Board of Directors shall have the following powers:

4.1.1 To enforce the provisions of the Governing Instruments, as well as any contracts or agreements entered into by the Association.

4.1.2 To adopt and publish rules and regulations governing

the use of the Common Areas and facilities together with the personal conduct of the members of the Association and their guests therein, and to establish penalties for infractions thereof.

4.1.3 To fix, levy and enforce collection of regular and special assessments in accordance with the provisions and procedures set forth in the Declaration.

4.1.4 To suspend the voting rights and rights to use the recreational facilities of the Project, if any, of any member during any period in which such member is in default in payment of any assessment duly levied by the Association. Such voting and/or use rights may also be suspended for an infraction of the Association's published Rules and Regulations, if any, for a period not to exceed thirty (30) days after notice and hearing as provided in Section 7341 of the California Corporations Code.

4.1.5 To impose reasonable monetary penalties upon any owner as a disciplinary measure for (i) failure of such owner to comply with the Association's published Rules and Regulations, if any, these Bylaws or the Declaration, or (ii) to reimburse the Association for costs incurred by the Association to repair damages to the common Areas or facilities for which such owner is allegedly responsible, or (iii) to bring an owner or his lot into compliance with the Declaration, the Rules and Regulations, or these Bylaws.

4.1.6 To exercise all powers, duties, and authority vested in or delegated to the Association and not reserved to the members by the provisions of the Governing Instruments or the Nonprofit Mutual Benefit Corporation laws of the State of California.

4.1.7 To employ a manager, independent maintenance contractors, and such other employees and personnel deemed necessary to operate and maintain the Common Areas and to prescribe their respective duties and compensation.

4.1.8 To contract and pay for maintenance, gardening, materials, supplies and services for the operation, maintenance and repair of the Common Areas and Common Area facilities.

4.1.9 To contract and pay for all gas, water, electricity and other utilities for the Common Areas and for the Project in general which are not metered separately for the individual Lots.

4.1.10 To contract and pay for fire, casualty, liability and other insurance as specifically provided in the Declaration (without limiting the right of any Owner to provide further insurance).

4.1.11 To pay taxes and special assessments which are or will become a lien on the Common Areas.



4.1.12 To enter into any lot within the Project, at reasonable times, and with forty-eight (48) hours prior written notice, in connection with maintenance, construction, or repairs for which the Association is responsible. In case of a life or property threatening emergency, the Association's right of entry shall be immediate and shall require no prior notice.

4.1.13 To borrow money and incur indebtedness for the Association, and to cause to be executed and delivered promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities in the Association's name, pursuant to the vote or written consent of a majority of the members of the Association, excluding the votes of Declarant.

4.2 Restrictions on Powers. The Board of Directors shall ordinarily be prohibited from taking any of the following actions, except pursuant to the vote or written consent of a majority of the voting power of the members of the Association other than Declarant:

4.2.1 Entering into a contract with a third party wherein the third party will furnish goods or services for the Common Area or the Association for a term exceeding one year except the following:

(i) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission, provided that the term of such contract shall not exceed the shortest term for which the utility supplier will contract at the regulated rate.

(ii) Prepaid casualty and/or liability insurance policies for a term not to exceed three (3) years in duration provided that the policy allows short rate cancellation by the Association.

(iii) Lease agreements for laundry room fixtures and equipment for a term not to exceed five (5) years in duration provided the lessor under such agreement is not an entity in which Declarant has an ownership interest of ten percent (10%) or more.

(iv) Agreement for cable television services and equipment or satellite television services and equipment are not to exceed five (5) years duration provided that the supplier is not an entity in which the Subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

(v) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services are not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Subdivider has a direct or indirect.

ownership interest of ten percent (10%) or more.

4.2.2 Incurring aggregate expenditure for capital improvements to the Common Area in any fiscal year which exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

4.2.3 Selling real and/or personal property owned by Association, if any, during any fiscal year having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

4.2.4 Paying compensation to members of the Board of Directors or to officers of the Association for services performed in conducting the Association's business provided that the Board of Directors may cause a director, officer, or member to be reimbursed for reasonable expenses incurred in carrying on the business of the Association.

4.2.5 Filling of a vacancy on the Board of Directors created by the removal of a director.

4.2.6 Under no circumstances may the Board of Directors cause a forfeiture of any owner's right to use and enjoy his lot for failure to comply with provisions of these Bylaws, the Declaration or the Rules and Regulations except (i) by judgment of a court or decision arising out of arbitration, or (ii) as a result of a foreclosure or sale of such lot under a power of sale resulting from the failure of the owner to pay assessments duly levied by the Association, as set forth in Article VIII hereof, and as further described in the Declaration.

4.3 Committees. By resolution adopted by a majority of the authorized number of directors, to designate an executive and other committees consisting of two (2) or more directors to serve at the direction and pleasure of the Board of Directors. Unless the Board of Directors shall otherwise prescribe the manner for proceedings of any such committee(s), meetings of such committee(s) will be regularly scheduled in advance or may be called at any time by any two (2) members thereof. Otherwise, the provisions of these Bylaws with respect to notice and procedures for meetings of the Board shall govern. To the extent provided in a resolution of the Board, any such committee shall have the full authority of the Board, except concerning the following matters:

4.3.1 The approval of any action for which the Nonprofit Mutual Benefit Corporation Laws of the State of California, the Declaration or the Articles of Incorporation also require approval of the members of the Association.

4.3.2 The filling of vacancies in the Board of Directors or in any committee appointed by the Board.

4.3.3 The adoption, amendment or repeal of these Bylaws.

4.3.4 The adoption, amendment or repeal of any resolution of the Board of Directors.

4.3.5 Any reassessment of Association member's fees, charges or assessments.

4.3.6 The appointment of other committees of the Board of Directors or the members thereof.

4.4 Duties of the Board of Directors. The board of Directors shall have the following duties:

4.4.1 To cause a complete record of all the Association's acts and corporate affairs to be kept and to present a statement thereof to the members of the Association at each annual meeting, or at any special meeting when such statement is requested in writing by twenty-five percent (25%) of the members of the Association.

4.4.2 To supervise all officers, agents and employees of the Association and to see that their respective duties are properly performed.

4.4.3 To procure and maintain adequate liability and hazard insurance as provided in the Declaration and on all property owned collectively by the members of the Association or by the Association itself.

4.4.4 To require that all directors, officers, and employees of the Association handling or responsible for Association funds be covered by a fidelity bond or insurance in an amount not less than one hundred fifty percent (150%) of the Association's estimated annual budget for the maintenance and operation of the Project including accumulation of reserves. The premium on such bond or insurance shall be paid by the Association.

4.4.5 To cause the Common Areas and facilities, sewer mains and laterals, and fences bounding the Project to be maintained at all times as set forth in the Declaration.

4.4.6 To do any act or take any action directed by a majority of the owners of residential lots within the Project unless such act is contrary to the provisions of the Governing Instruments.

4.4.7 In addition to the duties imposed by these Bylaws, to be responsible for such other duties as may be imposed by resolution adopted by the members of the Association.

4.4.8 To employ a management agent or agency for the Association at such compensation, and to perform such duties and

services as the Board shall authorize, including, but not limited to, the duties listed in Paragraphs 4.4.5 and 4.4.6 hereof.

4.5 Authorized Number and Qualifications of Directors. The authorized number of directors of the Association shall be five (5) until changed by amendment of these Bylaws; provided that a proposal to reduce the authorized number of directors below three (3) cannot be adopted if the votes cast against its adoption at a meeting of the members of the Association, in person or by proxy, equal more than sixteen and two-thirds percent (16-2/3%) of the outstanding memberships.

4.6 Election and Term of Office. Five (5) directors shall be elected at each annual meeting of the members of the Association. If any annual meeting is not held, or if any or all directors are not elected thereat, the directors may be elected at a special meeting of the Association held for such purpose. All directors shall hold office until their respective successors are elected subject to the Nonprofit Mutual Benefit Corporation laws of the State of California and to the provisions of these Bylaws with respect to vacancies on the Board of Directors.

4.7 Vacancies on the Board of Directors. A vacancy on the Board of Directors shall be deemed to exist in any of the following circumstances: (i) the death, resignation or removal of a director, (ii) a director having been declared of unsound mind by order of court or convicted of a felony, (iii) a decision by the members of the Association to increase the authorized number of directors, or (iv) the failure of the members of the Association to elect the full authorized number of directors at any annual or special meeting of the Association at which a director or directors are to be elected.

Vacancies on the Board of Directors, except for a vacancy created by the removal of a director, may be filled by a majority vote of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual or special meeting of the members of the Association. A vacancy on the Board of Directors created by the removal of a director by the Board may only be filled after obtaining the vote or written consent of a majority of the members of the Association excluding Declarant.

The members of the Association may elect a director or directors at any time to fill vacancies not filled by the Board of Directors. Any such election shall require the vote or written consent of a majority of the members of the Association, excluding Declarant.

4.8 Resignation. Any director may resign from the Board of Directors effective upon giving written notice to the President, to the Secretary or to the Board of Directors, unless the notice specifies a later time for the effectiveness of such

resignation. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board or the members of the Association shall have power to elect a successor to take office when the resignation becomes effective. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his particular term of office.

4.9 Place of Board Meetings. All regular and special meetings of the Board of Directors shall be held within the Project.

4.10 Organization Meeting. Immediately following each annual meeting of the members of the Association, the Board of Directors shall hold a regular meeting at the place of such annual Association meeting for purposes of organization, election of officers, and transaction of other business. Call and notice of such meetings are hereby dispensed with.

4.11 Other Regular Meetings and Notice. Other regular meetings of the Board of Directors shall be held monthly at a place within the Project and at a time designated by the newly elected Board of Directors. Notice of all regular meetings of the Board of Directors shall be posted at a prominent place or places within the Common Area and shall be communicated to each director not less than four (4) days prior to the meeting provided that notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

4.12 Special Meetings and Notice. Special meetings of the Board of Directors may be called for any purpose at any time by the President, or by any two (2) directors. Written notice of the time and place of special meetings shall be delivered personally to each director, or communicated to each director by telephone, telegraph or mail, charges prepaid, addressed to the director at the address shown upon the records of the Association or, if not so shown on such records or if not readily ascertainable, at the place at which the meetings of the directors are regularly held. Where such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company at least seventy-two (72) hours prior to the time of the holding of the meeting. In case such notice is delivered personally or by telephone it shall be delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. In addition to any of the above described methods for providing notice, notice shall also be posted in a prominent place or places within the Common Area not less than seventy-two (72) hours prior to the scheduled time of the meeting. Such mailing, telegraphing, posting or deliver, personally or by telephone as above provided, shall constitute due, legal and personal notice to each director. All notices of special meetings shall state the date, place and hour of the meeting and the general nature of the business to be transacted,

and no other business may be transacted at that meeting.

Regular and special meetings of the Board of Directors shall be open to all members of the Association provided that members who are not directors of the Board of Directors may not participate in any deliberation or discussion unless expressly authorized to do so by the vote of a majority of a quorum of the Board of Directors. The Board of Directors may, with the approval of a majority of a quorum of the directors, adjourn a meeting of the Board, and reconvene same in executive session to discuss and vote upon such matters as it deems appropriate. The nature of any and all business to be considered in executive session shall first be announced in open session.

4.13 Action Without Meeting. Any action by the Board of Directors may be taken without a meeting if all directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors and shall have the same force and effect as the unanimous vote of such directors. Any action taken without a meeting by the Board of Directors shall be posted in a prominent place or places within the Common Area within three (3) days after all of the written consents have been obtained.

4.14 Quorum and Required Votes. The presence of a majority of the authorized number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors except as hereinafter provided. Directors may participate in a Board meeting through use of conference telephones or similar communications equipment, so long as all directors participating in such meeting can hear one another. Participation in a meeting by conference telephone, as permitted in the preceding sentence shall constitute presence in person at such meeting. Every act or decision done or made by a majority of the directors present at any duly-held meeting of the Board of Directors at which a quorum is present, shall be regarded as the act of the Board of Directors, unless a greater number of directors, or the same number, after disqualifying one or more directors from voting, is required by law, by these Bylaws or by the Declaration. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of one (1) or more director, provided that any action taken is approved by at least a majority of the required quorum for such meeting.

4.15 Validation of Defectively Called or Noticed Meeting. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum is present and if either before or after such meeting, each of the directors not present or who, through present, has prior to the meeting or at its commencement, protested the lack of proper notice to him, signs a written

Waiver of Notice or a Consent to Holding of Meeting or approves the minutes thereof in writing. All such Waivers, Consents or written approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

4.16 Adjournment. A quorum of the directors may adjourn any Board of Directors meeting to meet again at a stated day and hour, provided that in the absence of a quorum, a majority of the directors present at any Board of Directors meeting, either regular or special, may only adjourn such meeting until the time fixed for the next regular Board meeting.

4.17 Notice of Adjournment. If a Board meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place shall be given prior to the time of the rescheduled meeting to all directors who were not present at the time of adjournment. Otherwise, notice of the time and place of holding a rescheduled meeting need not be given to absent directors if the time and place is fixed at the meeting so adjourned.

4.18 Fees and Compensation. No director nor any member of a committee formed to assist the Board of Directors shall be entitled to receive any compensation for his or her services as a director, or as a committee member. However, directors and committee members may be reimbursed for actual expenses incurred in the performance of their respective duties.

## ARTICLE V OFFICERS

5.1 Officers. The officers of the Association shall be the President, Vice-President, Secretary and Treasurer all elected by the Board of Directors. The President, Vice-President, Secretary and Treasurer shall all be members of the Board of Directors. The Board of Directors may appoint an Assistant-Secretary together with such other officers as deemed necessary to operate and manage the Association. Any one person may hold more than one office except that one person cannot hold the offices of both President and Secretary.

5.2 Election. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.4 hereof, shall be chosen annually by the Board of Directors at the organization meeting. Each officer so elected shall hold office until his or her successor has been elected, or until such officer has been disqualified.

5.3 Other Officers. The Board of Directors may appoint, and may empower the President to appoint, such additional officers as the business of the Association may require. Each officer so appointed shall hold office for such period, have the

authority and perform the duties as are provided in these Bylaws, or as, determined from time to time by the Board of Directors.

5.4 Removal of Officers. Any officer may be removed, either with or without cause, by a majority vote of the members of the Board of Directors, at any regular or special meeting thereof and a successor elected to fill the vacant office at the same meeting.

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

5.6 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in this Article for regular elections/appointments for officer.

5.7 President. The President shall be the chief executive officer of the Association and shall have general supervision, direction and control of the business and officers of the Association subject to the control of the Board of Directors. The President shall preside at all meetings of the members of the Association and at all meetings of the Board of Directors. The President shall be an ex-officio member of all the committees of the Association, if any, and shall have the general powers 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 of Directors or the Bylaws.

5.8 Vice-President. In the absence or disability of the President, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-President shall have such additional powers and duties as may from time to time be prescribed by the Board of Directors or the Bylaws.

5.9 Secretary. The Secretary shall record or cause to be recorded, and shall keep or cause to be kept, at the principal executive office of the Association and such other place(s) as the Board of Directors may order, a Book of Corporate Minutes describing the actions duly taken at all meetings of the Board of Directors and of the members of the Association with the time and place of holding, whether such meeting was regular or special, and if special, how authorized, the notice thereof given, the names of those present, the number of members present or represented by proxy, and the proceedings thereof. The Secretary



shall also keep or cause to be kept, at the principal executive office of the Association a membership register, or a duplicate membership register, showing the names of all of the members of the Association together with their addresses, and telephone numbers. In addition, the Secretary shall give or cause to be given, proper notice of all the meetings of the members of the Association and of the Board of Directors as required by these Bylaws or by law, shall keep the seal of the Association in safe custody, and shall have such additional powers and duties as may be prescribed by the Board of Directors or by the Bylaws.

5.10 Treasurer. The Treasurer shall be the chief financial officer of the Association and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the property and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, and Common Area building reserves. The books of account shall at all reasonable times be open to inspection by any director or officer. The Treasurer shall deposit all monies and other valuables in the name, and to the credit of the Association with such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the President and to the Board, whenever they so request, an account of all of such person's transactions as Treasurer and of the current financial condition of the Association. The Treasurer shall have such additional powers and duties as may be prescribed by the Board of Directors or the Bylaws.

## ARTICLE VI RULES AND REGULATIONS

6.1 Adoption of Rules and Regulations. The Board of Directors shall have the right and power to adopt reasonable Rules and Regulations for governing the conduct of the members of the Association and their guests while utilizing the Common Areas and Common Area facilities. Such Rules and Regulations may be adopted, amended or repealed at any time by the Board of Directors, with or without prior notice to the members of the Association.

6.2 Publications. The Rules and Regulations as adopted, amended or repealed by the Board of Directors shall be mailed to each member of the Association and posted at a conspicuous location in the Common Area with fourteen (14) days following such adoption, amendment or repeal.

6.3 Violations. Any material violation of the Rules and Regulations shall be grounds for temporary suspension of membership in the Association and/or privileges to use the Common Areas or facilities by the Board of Directors, after proper notice has been given to the offending member and a reasonable

opportunity for such member to be heard before the Board of Directors has been provided.

## ARTICLE VII COMMITTEES

7.1 Committees. The Association through the Board of Directors shall appoint an Architectural Control Committee, as provided in the Declaration. In addition, the Board of Directors may appoint other committees as they deem appropriate to carry out the purposes of the Association.

## ARTICLE VIII ASSESSMENTS

8.1 Assessments. As more fully provided in the Declaration, each member of the Association is obligated to pay regular and special assessments which are secured by a continuing lien on each member's lot. An assessments which are not paid when due shall be deemed delinquent. If any assessment is not paid within thirty (30) days following its due date, such assessment shall bear interest from the date of delinquency at the maximum legal rate, and the Association may bring an action at law against the member obligated to pay such assessment, or foreclose the lien against such member's lot. Interest, costs, and reasonable attorney's fees incurred by the Association in any such foreclosure action shall be added to the amount of the delinquent assessment. No member may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or facilities of the Project, or by abandonment of their particular lot.

8.2 Restrictions on Enforceability. The remedies provided in the foregoing Section 8.1 shall not apply to monetary penalties imposed by the Association as disciplinary measures for (i) failure of any member to comply with the Bylaws, the Declaration, or the Rules and Regulations, or (ii) as a means of reimbursing the Association for costs incurred by the Association for the repair of damages to the Common Area or facilities for which a particular member is allegedly responsible, or (iii) to bring a member or their lot into compliance with the Declaration, Bylaws, or Rules and Regulations.

## ARTICLE IX MISCELLANEOUS

9.1 Inspection of Books and Records. The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Board of Directors, the committees of the Board of Directors, and members of the Association shall be available for inspection and copying

by any member of the Association, or by such member's duly appointed representative, at any reasonable time and for any reasonable purpose related to his interest as a member, at the office of the Association or at such other place within the Project as the Board of Directors shall prescribe.

9.2 Rules for Books and Records. The Board of Directors shall establish reasonable rules concerning:

(i) Notice to be given to the custodian of the records by any member desiring to inspect the Association's books and records.

(ii) The hours and days of the week when such an inspection may be performed.

(iii) Payment of the cost of reproducing copies of documents requested by such member.

9.3 Inspection by Directors and Officers. Every member of the Board of Directors, and all officers shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association together with the physical properties owned or controlled by the Association. Such right of inspection shall include the right to make extracts and copies of all documents, ledgers, checks and receipts.

9.4 Checks, Drafts, Etc. All checks, drafts or other orders, for payment of money, notes and other evidences of indebtedness issued in the name of or payable to the Association, shall be signed or endorsed by such officer or officers and in such manner as shall be determined from time to time by resolution of the Board of Directors.

9.5 Annual and Other Reports. An annual report, pro forma operating statement (budget) and other reports and statements shall be prepared and distributed to the members of the Association as provided in the Declaration.

9.6 Execution of Contracts. Except as otherwise provided in the Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into contracts or execute instruments in the name of and on behalf of the Association. Such authority may be general or confined to specific instances or contracts and, unless so authorized by the Board of Directors, no officer, agent or employee shall have the power or authority to bind the Association by contract or engagement, to pledge the Association's credit, or to render the Association liable for any purpose or to any amount.

9.7 Location of Bylaws. The Association shall keep at its principal executive office, and shall provide upon written request of any member, the original or a copy of the Bylaws as amended or altered to date, certified by the Secretary of the

Association. The Bylaws shall be open to inspection by the members of the Association at all reasonable times during office hours, as established by the Board of Directors.

9.8 Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction and definitions contained in the Declaration and in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. As used herein, the masculine gender shall include the feminine and neuter, the singular number shall include the plural and the plural number shall include the singular, the term person shall include a corporation or partnership as well as a natural person, all as the context may require.

#### ARTICLE X AMENDMENTS

10.1 Requirements. For so long as the two-class voting structures provided for herein shall remain in effect, these Bylaws may be amended only the vote or written assent of fifty-one percent (51%) of the voting power of each class of members of the Associates. At such time as the Class B membership shall cease and be converted to Class A membership, amendments to these Bylaws shall require the vote or written assent of:

(i) Two-thirds (2/3) of a quorum of the members of the Association; and

(ii) Fifty-one percent (51%) of the votes of members of the Association other than the Declarant.

The foregoing, notwithstanding the percentage of a quorum of the members of the Association or of the votes of members of the Association other than the Declarant necessary to amend a specific provision in these Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under such provisions.

#### ARTICLE XI DECLARATION OF ESTABLISHMENT OF COVENANTS, CONDITIONS AND RESTRICTIONS

11.1 Incorporation of Declaration. The provisions of the Declaration of Establishment of Covenants, Conditions and Restrictions for the Project recorded in the office of the County Recorder on \_\_\_\_\_, as Instrument No. \_\_\_\_\_, are incorporated herein by this reference.

11.2 Conflicts. In the case of any conflict between the terms of the Declaration and the terms of these Bylaws, the terms of the Declaration shall control and prevail.

ARTICLE XII  
DISSOLUTION AND DEANNEXATION

12.1 Dissolution. In the event this Association shall be dissolved, the assets of the Association shall be distributed as follows:

(i) First to repay any and all existing debts of the Association.

(ii) Second to the members equally, one share for each residential lot within the Project.

12.2 Deannexation. In the event any residential lots and/or Common Areas are de-annexed from the Project under the procedure set forth in the Declaration, such lots shall thereafter not be part of the Project, shall have no right to use of the Common Areas of the Project, if any, and the Owner(s) of Lots within such de-annexed property shall thereafter not be members of the Association with respect to such de-annexed Lots.

ARTICLE XIII  
ASSOCIATION QUALIFICATION

This Association is intended to qualify as a Homeowners' Association under the applicable provisions of the Internal Revenue Code, and the Revenue and Taxation Code of California. Notwithstanding any of the above statements of purposes and powers, this Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this Association as set forth in the Articles of Incorporation. Furthermore, this Association is one which does not contemplate pecuniary gain or profit to the members thereof, and is organized solely for nonprofit purposes. In no event shall the net earnings, income or assets of this Association be distributed to, or inure to the benefit of, any member, director or officer of the Association or to any other private individual either directly, or indirectly, except upon winding up and dissolution. Upon winding up and dissolution of this Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets may be distributed to the members as provided in these Bylaws. Notwithstanding the foregoing, without the approval of one hundred percent (100%) of the members, so long as there is any Common Area for which this Association is obligated to provide management, maintenance, preservation or control:

(i) The Association or any person or entity acting on its behalf shall not:

(a) Transfer all or substantially all of its assets; or

(b) File a Certificate of Dissolution; and

(ii) No court shall enter an order declaring the Association duly wound up and dissolved.

IN WITNESS WHEREOF, the members at large of the Santa Rosa Ranchos Homeowners Association, a California non-profit mutual benefit corporation, have duly adopted these Bylaws consisting of twenty (20) pages by unanimous vote this \_\_\_\_ day of \_\_\_\_\_, 1989.

\_\_\_\_\_  
Signature

\_\_\_\_\_, President  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_, Secretary  
Print Name