

**RESTATED BYLAWS
OF
PALOMINO LAKES PROPERTY OWNERS' ASSOCIATION**

**SECTION I
Recitals and Definitions**

1.1. Name and Location of Principal Office of Association. The name of this corporation is Palomino Lakes Property Owners' Association ("Association"). The principal office of the Association shall be located in Sonoma County at such place as the Board may from time to time designate by resolution.

1.2. Association is Nonprofit. The Association is a nonprofit mutual benefit corporation pursuant to the *California Nonprofit Mutual Benefit Corporation Law (Corporations Code §§ 7110-8970)*.

1.3. Specific Purpose. The specific and primary purpose of this Association shall be to manage a common interest development under the *Davis-Stirling Common Interest Development Act* commonly known as Palomino Lakes located in an unincorporated portion of Sonoma County, California, fronting on Palomino Road with the nearest cross street being River Road. The Association shall own, repair, maintain and manage the Common Area within Palomino Lakes, promote the health, safety, and welfare of all the residents within the property and any additions to the property as may be brought within the jurisdiction of this Association for this purpose, all according to that certain Second Restated Declaration of Covenants, Conditions and Restrictions for Palomino Lakes Property Owners' Association ("Declaration") recorded in the Office of the Recorder of Sonoma County, as required by California Civil Code §1352, as amended.

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.

1.4. Definitions. Unless otherwise indicated, 1) all references to Section shall mean a section of these Bylaws, and 2) the terms defined in the Declaration shall have the same meaning when used in these Bylaws, unless the context clearly indicates a contrary intention,.

(a) **"Declaration"** means all restrictions, covenants, terms and conditions set forth in the Covenants, Conditions and Restrictions recorded as Document Number G61966 in the Official Records of Sonoma County, as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder's Office.

(b) **"Inspector of Election"** means the person or persons appointed by the Board to oversee election of directors pursuant to §7614 of the Corporations Code and §1363.03 of the Civil Code. The number of Inspectors of Elections may be 1 or 3.

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(c) **“Majority of a Quorum”** means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in Section 4.5. In the case of membership meetings, the voting power of a particular Member may be represented at the meeting by proxy.

(d) **“Person”** means and includes any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

(e) **"Electronic Transmission by the Association"** means a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the Association, (2) posting on an electronic message board or network which the Association has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof, or (3) other means of electronic communication, (b) to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications under or pursuant to this code, and (c) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form. However, an electronic transmission by a Association to an individual shareholder or member under this code is not authorized unless, in addition to satisfying the requirements of this section, the transmission satisfies the requirements applicable to consumer consent to electronic records as set forth in the Electronic Signatures in Global and National Commerce Act (15 U.S.C. Sec. 7001(c)(1)).

(f) **"Electronic Transmission to the Association"** means a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, which the Association has provided from time to time to shareholders or members and directors for sending communications to the Association, (2) posting on an electronic message board or network which the Association has designated for those communications, and which transmission shall be validly delivered upon the posting, or (3) other means of electronic communication, (b) as to which the Association has placed in effect reasonable measures to verify that the sender is the shareholder or member (in person or by proxy) or director purporting to send the transmission, and (c) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

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

SECTION II Membership

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

2.2. Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under Section 2.1, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).

2.3. Multiple Ownership of Lots. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of the 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. The Secretary of the Association shall be notified in writing of the Owner designated by his or her Co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received the Secretary may accept the vote of any Owner of Record or proxy holder of such an Owner as the vote attributable to the Lot in question, provided that if the multiple Owners of a Lot attempt to vote the membership attributable to said Lot in an inconsistent fashion, the Secretary or other person or persons designated as Inspectors of Election by the Board of Directors may refuse to count any ballot pertaining to the Lot.

2.4. Furnishing Evidence of Membership. If requested by the Secretary, a person shall not be entitled to exercise the rights of a Member until such person has provided the Secretary with evidence of such qualification in the form of a copy of a recorded grant deed (certified by the County Recorder) or other evidence of ownership satisfactory to the Association. Exercise of membership rights shall be further subject to the rules regarding eligibility for voting set forth in Section 3.3 and record dates for notice, voting and actions by written ballot and eligibility for voting set forth in Section 4.8.

SECTION III Membership Voting

3.1. Membership Class and Voting Rights. The Association shall have the one class of voting memberships, consisting of the Owners of Lots within the Project. Each Member shall be entitled to (1) vote for each Lot in which he or she owns an interest. If more than one (1) Owner owns an interest in a Lot, only one (1) vote may be cast with respect to that Lot.

3.2. Membership Approval. Except as otherwise provided in this Declaration, the Articles or these Bylaws, all matters requiring the approval of the Members shall be approved if: (i) approved at a duly-called regular or special meeting at which a quorum was present, either in person or by proxy, by Owners holding the majority of the total voting power of all Members present, either in person or by proxy; (ii) approved by written ballot pursuant to the requirements

of Corporations Code § 7513; (iii) approved by unanimous written consent of all the Members or, (iv) by mail-in ballot as provided in Section 3.4.

3.3. Eligibility To Vote. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lot(s) and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section 4.8. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing in accordance with the Declaration. A Member who owns more than one (1) Lot shall be ineligible to vote if that Member is delinquent with respect to any such Lots.

3.4. Voting.

(a) Member Confidentiality. Notwithstanding any other provision of the governing documents, any election regarding the following matters shall be held by secret Mail-In Ballot in accordance with the procedures set forth in Section 3.6 and Civil Code §1363.03:

- (i) assessments;
- (ii) selection or removal of members of the Board of Directors;
- (iii) amendments to the Governing Documents; or,
- (iv) grant of exclusive use of Common Area property pursuant to Section 1363.07.

(b) Timing. Voting material, such as ballots, voting instructions, explanatory material, candidates' statements, etc., shall be delivered to every Member at least 30 days before the date of the vote. The Board may reasonably extend the voting period to achieve greater Member participation, in which case, the ballot or other voting material shall so state.

(c) Additional Balloting Procedures. In order to ensure the secrecy of Mail-In Ballots utilized in elections and fairness in the conduct of the election, the Board shall adopt rules for the Association elections to assure that voting is confidential as proscribed by the Davis-Stirling Common Interest Development Act, including all of the following:

(i) A Member shall not be identified by name, address, or Unit or parcel number on the ballot.

(ii) Voting material, such as ballots, voting instructions, explanatory material, candidates' statements, etc., shall be delivered to every Member at least 30 days before the date of the vote. The Board may reasonably extend the voting period to achieve greater Member participation, in which case, the ballot or other voting material shall so state.

(iii). The Association shall provide each Member with a ballot and two pre-addressed envelopes and with instructions on how ballots are to be returned. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including all of the following:

(iv) Verification of Ballots. Inspectors of Elections or designated assistants shall verify the Member prior to the tabulation of the vote.

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(v) **Irrevocable Ballots.** Ballots received by the Inspectors of Elections may not be revoked.

(d) **Proxy Voting.** To the extent not inconsistent with any other provision of this Declaration of law, Members otherwise eligible to vote may do so by proxy issued as provided in Section 3.9.

(e) **Cumulative Voting.** Cumulative voting shall not be permitted.

(f) **Voting by Written Ballot.** In addition to voting by mail, Members' votes may be solicited by written ballot with respect to any issue except matters described in Section 3.4(a).

(g) **Proxy Voting.** Members otherwise eligible to vote may do so by proxy issued as provided in Section 3.5.

3.5. Proxies.

(a) **Proxies Generally.** Any Member entitled to vote may do so either in person or by one or more agents, including any Officer or Director of the Association, authorized by a written proxy signed by the Member and filed with the Secretary or Manager of the Association. Any proxy shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity. Every proxy continues in full force and effect until revoked by the issuing member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in this subparagraph, unless a different time is required by law.

(b) **Validity of Proxies With Respect to Certain Material Transactions.** Any proxy given with respect to any of the matters described in this subparagraph (b) 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:

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) 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;
- (iv) Amendment of the Articles of Incorporation;
- (v) Action to change any Association assessments in a manner requiring membership approval under the Declaration;
- (vi) 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;
- (vii) Merger of the Association or an amendment to an agreement of merger;
- (viii) Voluntary dissolution of the Association; and
- (ix) Approving a change in proxy rights.

(c) **Election of Directors.** If a proxy form issued in connection with the election of directors lists the candidates' names and the proxy is marked by a Member "withhold" or otherwise marked 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 is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(d) **Limitation on Restriction or Elimination of Proxy Rights.** 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 Members represented and voting at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the voting power of Members by written ballot as provided in Section 3.6.

(e) **Proxy Rules for Memberships Held by More Than One Person.** Where two (2) or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by any such persons. All such persons may attend meetings, but no vote of such Member shall be cast without the consent of a majority of all persons present at such meeting constituting each Member.

(f) **No Proxy Voting in Connection With Mail-In or Written Ballots.** Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Section 3.6.

(g) **Revocation of Proxies.** Any proxy issued hereunder shall be revocable by the Member executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the Secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy.

The dates shown on the forms of proxy preemptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed. A proxy shall be deemed revoked when the Secretary receives actual notice of the death or judicially declared incompetence of the issuing Member, or upon termination of such Member's status as an Owner of a Lot as provided in Section 2.

3.6. Action by Written Ballot.

(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 3.6. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) **Written Ballots Generally.** Any matter or issue requiring the vote of the Members, except the election of directors, may be submitted to the Members for approval by

written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this Section 3.6 are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 4.8(a)(iii)) for purposes of determining those Members eligible to cast written ballots.

(c) Balloting Time Requirements.

- (i) **Distribution of Ballots.** In the case of any matter or issue submitted to the Members for approval by written ballot, the Board shall distribute the written ballot to every Member entitled to vote on the matter not less than ten (10) nor more than ninety (90) days (or if sent by first-class registered or certified mail, twenty (20) days) prior to the final date the written ballots are to be received to be counted.
- (ii) **Extension of the Balloting Period.** The time fixed for the return of written ballots may be extended only if the Board notifies the Members in the balloting materials originally sent to Members that such time may be extended and then any extension may not be for more than two (2) successive periods of thirty (30) days each.

(d) Content of Written Ballots.

- (i) **Proposed Action.** Any written ballot distributed to the Members to vote on any issue shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.
- (ii) **Specification of Time for Return of Written Ballot.** All written ballots shall state the time by which the ballot must be received in order to be counted (see subparagraph (c) above).

(e) Requirements Action by Written Ballot.

- (i) **Number of Votes.** Membership approval by written ballot shall be valid only if (a) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in Section 4.5) that would have been required to be present at a membership meeting if a meeting had been convened to vote on the proposal, and (b) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.
- (ii) **Reduced Quorum.** If the time for returning written ballots is extended in accordance with subparagraph (c)(ii) above because the required minimum quorum percentage is not satisfied, the reduced quorum percentage specified in Section 4.5(c)(ii) shall apply during the extension period(s).

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of Section 4.4, regarding to the issuance of notices of Members' meetings. All solicitations of written ballots shall indicate (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Association in order to be counted; and (C) in the case of any written ballot distributed to vote on matters other than the election of directors, the percentage of affirmative votes necessary to approve the measure submitted for membership approval. If the period for the return of written ballots is extended under subparagraph (c)(ii), above, the Board shall be entitled to announce to the Members the aggregate votes for or against the proposal received as of the extension date.

(g) Additional Balloting Procedures. In order to ensure the secrecy of written ballots utilized in director elections and fairness in the conduct of the election, the Board may but shall not be obligated to use the services of the Association's attorney, a certified public accountant or other qualified person to receive and tabulate all written ballots (whether returned by mail or cast in person by Members attending the meeting at which the election takes place). The person retained to perform such services shall have the full powers of an inspector of elections appointed by the Board under *Corporations Code* § 7614. Furthermore, the Board, in its discretion, shall be entitled to adopt such additional reasonable procedures as it deems necessary or appropriate to assure fairness in the balloting process.

(h) Notification of Results. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within thirty (30) days following the close of the balloting process and tabulation of the ballots. In the case of an election of directors, the Board shall also notify those Members present at the meeting of the results of the election immediately upon conclusion of the balloting process. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements for valid action, the Board shall so notify the Members.

(i) Revocation of Written Ballots. If a Member who has cast a written ballot desires to change his or her vote, the Member may do so provided he or she so notifies the Secretary of the Association in writing prior to close of the balloting period and casts a new ballot within the balloting period.

(j) Conduct of Informational Meetings. Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a membership meeting to coincide with the culmination of the balloting period.

3.7. Majority Vote Required. If a quorum is present, the affirmative vote of the majority of the voting power of Members represented by written ballot or at a meeting, entitled to vote and voting 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* or by the Governing Documents. In the case of director elections, the candidates receiving

the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

3.8. 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. When an action is taken by written consent, the consent(s) shall be filed with the Association's minutes.

SECTION IV

Membership Meetings

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

4.2. Annual Meeting. The Annual meeting of the Members shall be held on a date in May of each year as determined by the Board, or as otherwise designated in writing by the Board and delivered to each Member.

4.3. Special Meetings.

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

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is called by Members other than the Board of Directors or President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be given to the Members entitled to vote that a meeting will be held and the date, time, and purpose for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request.

If notice of the meeting is not given within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection 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.

4.4. Notice of Members' Meetings.

(a) **Notice.** Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Section 4.8. Notice of the annual meeting need only be given if the Board determines a date or other place other than as set forth in Section 4.2 above.

(b) **Time.** The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this Section 4, not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered, or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) **Minimum Content of Notice.** The notice of any membership meeting shall specify the place, date and hour of the meeting. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted, and no other business may be transacted at the special meeting. In the case of a regular meeting, the notice shall also describe 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 so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

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

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required to fill a vacancy on the Board pursuant to Section 6.8 of these Bylaws;
- (iii) Amending the Articles of Incorporation of this Association, these Bylaws or the Declaration in any manner requiring approval of the Members;
- (iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm, or association in which one or more of its directors has a material financial interest;
- (v) Approving any change in the Association's assessments in a manner requiring membership approval under the Declaration; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) **Manner of Service.** Notice of any meeting of Members shall be given in any manner provided in Section 11.5 addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association

for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office, or (ii) 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.

4.5. Quorum Requirements.

(a) **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 3.6 of these Bylaws:

- (i) **Minimum Quorum Requirements.** The quorum requirement for valid action on a proposal at any membership meeting or written ballot called or conducted shall be thirty three and one-third percent (33 1/3%) of the Members eligible to vote and represented in person, by proxy or by written ballot;
- (ii) **Reduction in Quorum Percentage for Action.** If the minimum quorum percentage specified in Section 4.5(i) is not satisfied the meeting may be adjourned to another time and/or place not more than forty-five (45) days after the initial meeting date (see Section 4.6, below) and at the reconvened meeting the quorum percentage shall be reduced to twenty-six percent (26%) of the voting power of the Members. If this reconvened meeting is attended by less than one-third (1/3) of the voting power of the members (but a quorum is present) the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting.

(b) **Members Present.** Members present at a meeting of the members in person or by proxy shall be counted toward satisfaction of the quorum requirements. If authorized by the board of directors in its sole discretion, and subject to the requirement of consent in Section 1.4(c) and those guidelines and procedures as the board of directors may adopt, members not physically present in person or by proxy at a meeting of members may, by Electronic Transmission by and to the Association or by electronic video screen communication, participate in a meeting of members, be deemed present in person or by proxy, and vote at a meeting of members whether that meeting is to be held at a designated place or in whole or in part by means of Electronic Transmission by and to the Association or by electronic video screen communication, in accordance with Section 4.5(d).

(c) **Effect of Departure of Members From Meeting.** The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as at least twenty five percent (25%) of the total voting power of the Members remains and any action taken (other than adjournment) is approved

by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

(d) Meeting by Electronic Transmission. A meeting of the members may be conducted, in whole or in part, by Electronic Transmission by and to the Association or by electronic video screen communication (1) if the Association implements reasonable measures to provide members in person or by proxy a reasonable opportunity to participate in the meeting and to vote on matters submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and (2) if any member votes or takes other action at the meeting by means of Electronic Transmission to the Association or electronic video screen communication, a record of that vote or action is maintained by the Association. Any request by the Association to a member for consent to conduct a meeting of members by electronic transmission by and to the Association, shall include a notice that absent consent of the member, the meeting shall be held at a physical location in accordance with Section 4.1.

4.6. Adjourned Meeting.

(a) Adjournment Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than forty-five (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), the reconvened meeting may take any action that might have been transacted at the original meeting.

(b) 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 time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date (see Section 4.8), is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote at the rescheduled meeting.

4.7. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents Generally. If decisions are made or an action is otherwise taken by the Members at a meeting where 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 (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) 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 4.4(d), in which case, the waiver of notice or consent

must state the general nature of such matter(s). 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 because of the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein pursuant to Section 4.4(d), if that objection is expressly made at the meeting.

4.8. 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, to vote, or to 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 pursuant to this section shall be as follows:

- (i) **Notice of Meetings.** In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than ninety (90) nor less than ten (10) days before the date of the meeting;
- (ii) **Voting.** In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than sixty (60) days before the date of the meeting;
- (iii) **Action by Written Ballot.** In the case of determining Members entitled to cast written ballots, the record date shall be no more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and
- (iv) **Other Lawful Action.** In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than sixty (60) days prior to 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:

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

- (iii) **Action by Written Ballot.** The record date for determining those Members entitled to vote by written 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.
- (iv) **Other Lawful Action.** The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.
- (v) **“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 the Member of record.

SECTION V Membership Rights

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

5.1. Use and Enjoyment of Common Areas. Each Member and the members of his or her family who also reside on the Member's Lot shall be entitled to the use and enjoyment of all Common Areas.

5.2. Tenants and Lessees. 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 be effective only so long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association's Rules in effect at that time. At all times the Owner shall remain responsible for compliance with the provisions of the governing documents by Owner's lessee or tenant. Without limiting the foregoing, reference is specifically made to Section 2 of the Declaration for additional tenant and lease restrictions.

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

5.4. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and shall at all times be subject to the rules, limitations, and restrictions set forth herein, in the Declaration, and in the Association's published Rules as promulgated by the Board from time to time, in accordance with Section 3.7 of the Declaration. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to suspend the use and enjoyment of any Common Area for the failure of a Member to pay any

Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents, provided, however, that any such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in Section 15 of the Declaration.

SECTION VI **Board of Directors**

6.1. General Powers. Subject to the provisions of the *California Nonprofit Mutual Benefit Corporation Law*, the *Davis-Stirling Common Interest Development Act (Civil Code §§ 1350-1373)* and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. Subject to the limitations expressed in Section 8.1, the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

6.2. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Section 6.1, 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 Manager of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles 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 subject to the provisions of the Declaration, governing the use of the Common Areas within the Project, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such Rules, including the imposition of monetary penalties and/or the suspension of voting rights, the right to hold office, and the right to use any Common Areas; provided notice and a hearing are provided as more particularly set forth in Section 15 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 Residences within the Project and the Common Areas within the Project.

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

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

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

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

(j) Delegate its duties and powers hereunder to the Officers of the Association to a management company or to committees established by the Board, subject to the limitations expressed in Section 8.1.

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

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

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Section 10.5.

(n) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with Section VIII below, including members of the Architectural Control Committee described and constituted in accordance with Section 5 of the Declaration.

(o) Fill vacancies on the Board of Directors or in any committee, except a vacancy created by the removal of a Board Member.

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

(q) Borrow money and in aid thereof to pledge its assets including, but not limited to, assessments and Common Areas.

(r) Bring and defend actions on behalf of more than one Member or the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such

litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in Section 15.6 of the Declaration.

(s) Enter Residences as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance, or emergency repairs for the benefit of the Common Areas or the Owners in common.

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

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

- (i) FHA or VA approved management contracts;
- (ii) Public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate;
- (iii) Prepaid casualty or liability insurance policies not to exceed three (3) years' duration, provided that the policies provide for short-rate cancellation by the insured;
- (iv) Agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five (5) years' duration; or
- (v) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five (5) years' duration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that year provided, however, that this limitation shall not apply to the sale or other disposition of Lots acquired by the Association in foreclosure proceedings.

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

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

(f) Any action to impose a special assessment or to increase the regular assessment under circumstances requiring Member approval under Section 4 of the Declaration.

(g) Any action to amend these Bylaws the Articles of Incorporation or the Declaration, except for any amendments permitted by Board action alone pursuant to Section 11.4(a), below.

6.4. Duties.

(a) Unless the governing documents impose more stringent standards, the board of directors of the association shall do all of the following:

- (i) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.
- (ii) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.
- (iii) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current years' budget
- (iv) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.
- (v) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis.

(b) At least once every three years the board of directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements of the common interest development to be conducted if the current replacement value of the major components which the association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the gross budget of the association for any fiscal year. The board shall review this study annually and shall consider and implement necessary adjustments to the board's analysis of the rescue account requirements as a result of that review.

The study shall at a minimum include:

- (1) Identification of the major components which the association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than 30 years.
- (2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.
- (3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1) during and at the end of their useful life.
- (4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

6.5 Number and Qualification of Directors. The Board of Directors shall consist of three (3) persons who shall be Owners of Lots whose memberships are in good standing with all Assessments current and are not subject to any suspension of membership rights. Only one (1) Owner per Lot shall be eligible to serve on the Board at any time.

6.6. Term of Office. The directors of this Association shall each serve for a term of one (1) year. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

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

(a) **Candidates Selected by Nomination Committee.** The Nominating Committee shall be appointed by the Board not less than sixty (60) days prior to each annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members of the Association and shall make as many nominations for election to the Board as it shall determine, in its sole discretion, but no less than the number of vacancies to be filled.

(b) **Self Nominations.** Any Member of the Association may nominate himself or herself for election to the Board of Directors by informing the Nominating Committee or the Association Secretary, in writing, of his or her candidacy."

(c) **Good Standing Requirement for Candidacy.** To be eligible for nomination and election to the Board, a candidate-Member must be certified by the Association Secretary that he or she is in good standing with the Association and is current in the payment of Assessments both at the time his or her name is placed in nomination and as of the election date.

6.8. Election of Directors.

(a) **Directors Elected at Annual Meeting.** Members voting in person, by mail or by proxy shall elect persons to those positions on the Board of Directors held by directors whose terms are then expiring. The persons thus elected shall be selected from among those persons nominated pursuant to Section 6.7; however, if for any reason an annual meeting is not held or the directors are not elected at any annual meeting, the directors may be elected at any special meeting of the Members held for that purpose.

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

(c) **Supervision of Election Process.** In order to insure secrecy of ballots and fairness in the conduct of director elections, the Board shall appoint one (1) or three (3) Inspector(s) of Election, which may be the Association's legal counsel, a certified public accountant or neutral third person, to receive and tabulate all ballots .

6.9. 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: (i) the death, resignation, or removal of a director under paragraphs (c) and (d) below; (ii) an increase of the authorized number of directors; or (iii) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) **Resignation of Directors.** Except as provided in this paragraph, any director may resign, and such 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 effective at a future time, the Board of Directors may, prior to the effective date of the resignation, elect a successor to take office when the resignation becomes effective.

(c) **Authority of Board to Remove Directors.** 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:

- (i) has been declared of unsound mind by a final order of court;
- (ii) has been convicted of a felony;
- (iii) has been found by a final order or judgment of any court to have breached any duty under *Corporations Code* §§ 7233-7236 (relating to the standards of conduct of directors); or
- (iv) fails to attend three (3) out of any six (6) consecutive regular meetings of the Board of Directors that have been duly noticed.

(d) **Authority of Members to Remove Directors.** Except as otherwise provided in subparagraphs(s) (c) and (e) of this Section 6.6, a director may be removed from office prior to expiration of his or her term only by the affirmative vote of a majority of the voting power of the Members during a duly held meeting at which a quorum is present.

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

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

SECTION VII
Board Meetings

7.1. Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within Sonoma 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. Notwithstanding the above provisions of this Section 7.1, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

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

7.3. Other Regular Meetings.

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

(b) Notice. Notice of the time and place of regular meetings shall be noted in the Association's monthly newsletter or posted in a prominent place within the Common Area, and shall be communicated to the Board members not less than seventy-two (72) hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in Section 7.7 below.

7.4. Special Meetings of the Board.

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

(b) Notice of Special Meetings.

- (i) Manner of Giving.** Notice of the time and place of special meetings of the Board shall be given to each Director by one (1) of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; (C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; or (D) by facsimile transmission or telegram, charges prepaid or electronic mail. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Section 7.7 below.
- (ii) Time Requirements.** Notices sent by first-class mail shall be deposited in a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, telegraph or electronic mail shall be delivered, telephoned, given to the telegraph company or electronically mailed at least forty-eight (48) hours before the time set for the meeting.
- (iii) Notice Contents.** . The notice shall state the date, time, place, and purpose of the meeting.

7.5. Attendance by Members.

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

(b) Executive Sessions. The Board, on the affirmative vote of a majority of the Directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss litigation in which the Association is or may become a party, personnel matters, payment of assessments by a Member or business of a similar nature in which maintenance of the confidentiality of Board deliberations is consistent with the best interests of the Association and its members. Before

adjourning into executive session, the general topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above. The general nature of the topics considered during the executive session shall be announced at the immediate next meeting which Members may attend.

7.6. 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 7.8 below. 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*.

7.7. Waiver of Notice. Any action taken at 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.

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

7.9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board.

If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

7.10. Compensation. Directors, Officers, and Members of Committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual

expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

SECTION VIII

Committees

8.1. Committees. In addition to the nominating committee to be appointed and constituted pursuant to Section 6.7(a) of these Bylaws, the Architectural Review Committee appointed and constituted pursuant to the Declaration and the Standing Committees set forth in Section 8.2, the Board may, by resolution adopted by a majority of the Directors then in office, designate one (1) or more committees, each consisting of each consisting of three or more Members (who shall be Members of the Association and may also be Directors), to serve at the pleasure of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that any such committee, regardless of Board resolution, shall not:

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

(b) Fill vacancies on the Board 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 the members of those committees.

(f) Expend Association funds to support a nominee for Director after there are more people nominated for Director than can be elected.

8.2. Standing Committees. The Board shall establish and supervise the following Standing Committees. Each Standing Committee shall consist of at least 3 Members, one of whom shall be a Board Member. Only one Member per Lot shall be eligible to serve on a Standing Committee. The Board shall prescribe areas of responsibility, guidelines and a budget within which each committee is to act. Each committee shall elect a chairperson from among its members: Architectural Supervising Committee as provided in the Declaration.

8.3. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section VII of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. The Board of Directors may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any committee.

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

SECTION IX Officers

9.1. Officers. The Officers of the Association shall be a President, a Vice President, a Secretary, and a Chief Financial Officer, all of whom shall be members of the Association. The Association may also have, at the discretion of the Board, additional Vice Presidents or such other officers as may be appointed in accordance with the provisions of Section 9.7. One person may hold two or more offices, except that neither the Secretary nor Chief Financial Officer may serve concurrently as President.

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

9.3. Vice President. 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 upon, the President. If more than one Vice President, they shall be ranked (i.e. first, second, third, etc.) and in the absence or disability of the President, the availability of the Vice Presidents in the order of rank shall determine which Vice President shall assume the duties of 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.

9.4. 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, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

9.5. Chief Financial Officer. The shall be elected by the Board from among the Directors. The Chief Financial Officer, who shall be known as the Treasurer, shall keep and maintain, or

cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements.

The books and records shall at all reasonable times be open to inspection by any Director or Member. The Treasurer shall cause to be deposited 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. The Treasurer shall cause the funds of the Association to be disbursed as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

9.6. Election of Officers. The Officers of the Association, except such officers as may be appointed by the President in accordance with the provisions of Sections 9.7, shall be chosen by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of Directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

9.7. 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.

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

9.9. 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 on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the Officer is a party.

9.10. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by the Board.

SECTION X
Member Assessment and Association Finances

10.1. Description of Assessments. Owners of Lots within the Project are subject to Regular, Special, and Special Individual Assessments as described in Section 4 of the Declaration.

10.2. Checks. All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other Officer or Officers or such other person or persons 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 (2) Directors or an Officer (who is not also a Director) and a Director.

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

10.4. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as set forth in Section 4 of the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

10.5. 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) **Budget.** A pro forma operating budget for each fiscal year consisting of the information required pursuant to *California Civil Code* § 1365 or subsequent superseding law shall be distributed to Members not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year.

In lieu of distributing the complete pro forma operating budget, the Board may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, upon request, to any Member at the Association's expense. The notice shall be on the front page of the summary of the budget in at least 10-point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first-class mail, within five (5) days of receipt of the request.

(b) **Year-End Report.** Within one hundred twenty (120) days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members:

(i) A balance sheet as of the end of the fiscal year;

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- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of changes in financial position for the fiscal year;
- (iv) A statement advising Members of the place where the names and addresses of the current Members are located; and
- (v) Any information required to be reported under *Corporations Code* § 8322 requiring the disclosure of certain transactions in excess of fifty thousand dollars (\$50,000) per year between the Association and any Director or Officer of the Association and indemnification of and advances to Officers or Directors in excess of ten thousand dollars (\$10,000) per year.

A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds seventy-five thousand dollars (\$75,000). If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized Officer of the Association that the statement was prepared without an audit from the books and records of the Association.

(c) **Annual Statement Regarding Delinquency/Foreclosure Policy.** In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments including the recording and foreclosing of liens against Members' Lots.

- (d) **Review of Accounts.** At least quarterly the Board of Directors shall review:
- (i) a current reconciliation of the Association's operating accounts;
 - (ii) a current reconciliation of the Association's reserve accounts;
 - (iii) the current year's actual reserve revenues and expenses compared to the current year's budget;
 - (iv) the latest account statements prepared by the financial institution(s) where the Association has its operating and reserve accounts; and
 - (v) the Association's income and expense statement for the operating and reserve accounts.

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

SECTION XI
Miscellaneous

11.1. Inspection of Books and Records.

(a) **Member Inspection Rights.** All association records shall be available for inspection and copying in accordance with and the Board shall adopt and distribute to each Member Association Rules as specified in Civil Code §1365.2. In the case of the demands to

inspect the Association's membership list, a Member's inspection rights shall be subject to the Association's right to offer a reasonable alternative to inspection within ten (10) days after receiving the Member's written demand.

(b) Director 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.

(c) Adoption of Reasonable Inspection Rules. The Board of Directors shall establish reasonable rules regarding inspection and copying of Association records by Members including, but not limited to, (i) notice of inspection, (ii) 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.

11.2. Manager. The Board may, from time to time, employ the services of a professional property management company ("Manager") to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the Manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the Manager shall at all times remain subject to the general control of the Board. If the Association employs a Manager, any decision to terminate the Manager and return to the Board the functions previously performed by the Manager shall require approval of the Members.

11.3. Robert's Rules of Order. In the event of a dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order or other published rules of parliamentary procedure adopted by the Board.

11.4. Amendment or Repeal of Bylaws by Directors and Members.

(a) Amendment by Directors. Except as provided in this subparagraph (a), these Bylaws may be adopted, amended, or repealed ("changed") by the vote of a majority of all Directors. The right of the Directors to change these Bylaws shall not apply to any amendment that:

- (i) Changes the number of Directors;
- (ii) Changes any provision pertaining to Directors who hold office by designation;
- (iii) Changes any provision pertaining to the filling of vacancies on the Board which must, by the terms of these Bylaws, be filled by the vote of the Members;
- (iv) Changes the quorum requirements for membership meetings;
- (v) Change the Bylaws provisions governing the use of proxies;
- (vi) Materially and adversely affects the rights of the Members as to voting, dissolution, redemption or transfer;

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- (vii) Increases or decreases the number of Members authorized in total or for any class;
- (viii) Effects an exchange, reclassification, or cancellation of all or part of the memberships; or
- (ix) Authorizes a new class of membership.

(b) Amendment by the Members. . Except as provided in subparagraph (a), above, these Bylaws may be adopted, amended, or repealed only by the affirmative vote of a Majority of a Quorum by in a vote by mail, a duly held meeting or by written ballot conducted in accordance with Section 3.6.

If any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended, or repealed except by such greater vote, unless otherwise specifically provided herein. Any amendment to these Bylaws shall become effective immediately upon approval by the Members. The Secretary of the Association shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Association's corporate records.

11.5. Notice. Any notice or other document permitted or required to be delivered as follows:

(a) To a Member: . (1) personal delivery; (2) first-class mail, postage prepaid, addressed to a member at the address last shown on the books of the Association or otherwise provided by the Member (Delivery is deemed complete on deposit into the United States mail); (3) email, facsimile, or other electronic means, if the recipient has agreed to that method of delivery (Delivered by electronic means is complete at the time of transmission); (4) by publication in a periodical that is circulated primarily to Members; (5) if the Association broadcasts television programming for the purpose of distributing information on Association business to Members, by inclusion in the programming; (6) a method of delivery provided in a recorded provision of the governing documents; (7) any other method of delivery, provided that the recipient has agreed to that method of delivery. A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by one of the methods provided in subdivision (b).

(b) To the Association or the Board of Directors: . By personal delivery or by first-class mail at the principal office of the Association as designated from time to time by written notice to the Members; if to a Director, at the address from time to time given by such Director to the Secretary for the purpose of service of such notice.

11.6. Indemnification.

(a) Indemnification of Association. Each Owner shall be liable to the Association for any damage to the Common Areas caused by the negligence to the extent that the damage shall not be covered by insurance or willful misconduct of the Owner or his or her family, guests, invitees or lessees. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any Lot

owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this section.

(b) Indemnification by Association of Directors, Officers, Employees, and Other Agents. To the fullest extent permitted by law, the Association shall indemnify its Directors, and 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 section and including an action by or in the right of the Association, by reason of the fact that such person is or was a person described by that section. “Expenses” as used in this Section, shall have the same meaning as in *Corporations Code* § 7237(a).

(c) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a Director, Officer, employee/agent seeking indemnification under paragraphs (b) and (c) of this Section 12.6 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/other agents against other liability asserted against or incurred by any Director, or Officer, employee/agent in such capacity or arising out of the Director's, Officer's employee's/agent's status as such.

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

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CERTIFICATE OF SECRETARY

The undersigned, Secretary of the Palomino Lakes Property Owners' Association, does hereby certify that the above and foregoing Restated Bylaws consisting of _____ pages, were duly adopted by the requisite vote of its Members on _____, 2007, and that they now constitute the Bylaws of Palomino Lakes Property Owners' Association.

Dated: _____, 2007

PALOMINO LAKES PROPERTY
OWNERS' ASSOCIATION

By _____
(Secretary)

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