

BYLAWS

of the

HIDDEN HILLS COMMUNITY ASSOCIATION

a non-profit, public benefit corporation

Adopted November 15, 2005

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BYLAWS
HIDDEN HILLS COMMUNITY ASSOCIATION

ARTICLE 1
ADMINISTRATION

1.1 Name. The name of this corporation is Hidden Hills Community Association, a California non-profit, public benefit corporation.

1.2 Location. The Association shall have its principal office at 24549 Long Valley Road, Hidden Hills, California 91302, or at such other location in the City of Hidden Hills as the Board may determine or as the affairs of the Association may require from time to time.

1.3 Definitions. As used in these Bylaws, the following terms shall have the definitions set out below:

- (a) **Approval.** The term "Approval" shall refer to the written consent of the Board of Directors of the Association or to the duly formed Committee of the Association to whom the power to grant written consents has been delegated by the Board or the Declarations.
- (b) **Articles.** The term "Articles" shall refer to the most recent Articles of Incorporation of the Hidden Hills Community Association, together with all amendments thereto, which are on file with the Secretary of State of the State of California.
- (c) **Association.** The term "Association" shall refer to the Hidden Hills Community Association.
- (d) **Board.** The term "Board" shall refer to the Board of Directors of the Association.
- (e) **Building Site.** The term "Building Site" shall refer to a lot or parcel of land which now or hereafter constitutes a building site as defined in the Declaration.
- (f) **Certificate of Decision.** The term "Certificate of Decision" shall refer to a document that is on file with the Association memorializing a decision by the Architectural Committee pursuant to Article IV, Section 4 of the Declarations.
- (g) **Certificate of Violation.** The term "Certificate of Violation" shall refer to a document that is on file with the Association and that constitutes a determination by the Board as to the existence of a violation of the Governing Documents as defined in the Bylaws.
- (h) **Common Area.** The term "Common Area" shall refer to the entire Common Interest Development except for the Building Sites, provided, however, that the Common Area shall be deemed to include that portion of any Building Site in which the Association has an improved roadway, parkway or trail easement. No

Member owns a separate interest in the Common Area either jointly or in partnership.

- (i) **Community Development.** The term “Community Development” shall refer to the Common Interest Development (as that term is defined in the Davis-Stirling Common Interest Development Act) in its entirety including all Building Sites and all Common Area.
- (j) **Community Facilities.** The term “Community Facilities” shall refer to that portion of the Common Area designated by the Board for entertainment and/or recreational use by the Members.
- (k) **Declaration.** The term “Declaration” shall refer to Declaration No. 1 of Protective Covenants.
- (l) **Declarations.** The term “Declarations” shall refer collectively to all declarations of covenants, conditions and restrictions in force within the Community Development. Also known as CC&R’s.
- (m) **Governing Documents.** The term “Governing Documents” shall refer collectively to the Articles of Incorporation, these Bylaws, the Declarations, the Architectural Standards, the Gate Operations Manual, the Rules & Regulations and any other operating rules or regulations adopted by the Board or Association.
- (n) **Guest.** Anyone who is present in the Community Development who is not a Member, Resident or Tenant.
- (o) **Masculine/Feminine.** All references in these Bylaws to “he” or “she” are used for convenience sake only and shall be deemed in all cases to refer and apply both to the masculine and feminine genders.
- (p) **Member.** The term “Member” shall refer to each Person who is the Owner of a Building Site within the Community Development.
- (q) **Member in Good Standing.** The term “Member in Good Standing” shall refer to each Member who is current in the payment of any monies owed, including but not limited to assessments, to the Association, as well as any fines, liens, judgments or encumbrances, and whose Building Site(s) is/are free of Certificates of Violation
- (r) **Owner.** The term “Owner” shall refer to each person whose name appears as a grantee in a deed recorded with the Office of the County Recorder of a Building Site within the Community Development. Alternately, in the event the property is owned by a corporation, other business entity or trust, the Owner shall be the person specified below:
 - *LLC* - Managing Member or Managing Partner
 - *Trust* - Trustee(s)

- *Corporation* - The shareholder owning at least a 50% interest, or in the case of corporation in which no one owns a 50% interest, the corporation shall designate one individual to be the Owner for these purposes.
- (s) **Person.** The term “Person” shall refer collectively to individuals, corporations, partnerships, associations, and trusts.
- (t) **Resident.** The term “Resident” shall refer to any person residing on a Building Site within the Community Development.
- (u) **Rules & Regulations.** The term “Rules & Regulations” shall refer to those Rules & Regulations adopted pursuant to Section 8.6 of these Bylaws.
- (v) **Tenant.** The term “Tenant” shall refer to any person who rents/leases a Building Site within the Community Development and resides thereon.
- (w) **Visitor.** Anyone who is present in the Community Development who is not a Member, Resident or Tenant.
- (x) **Singular/Plural.** All references in these Bylaws to the singular shall refer and apply both to the singular and the plural.

1.4 Jurisdiction. The property over which the Association shall have jurisdiction is all lands and property made subject to any of the Declarations together with any future lands which may be annexed into and become a part of the Community Development.

ARTICLE 2

MEMBERSHIP RIGHTS

2.1 Membership. Except as provided in Article Sixth, Section (b) (3) of the Articles of Incorporation, each Person or entity who is an Owner shall be a Member, subject to the terms and provisions of the Governing Documents.

2.2 Proof of Membership. No person shall exercise the rights of membership in the Association until satisfactory proof thereof has been furnished to the Secretary. Such proof may consist of either a copy of a duly executed, acknowledged and recorded deed or a title insurance policy showing the person to be an Owner of a Building Site. In the event the Building Site is owned by a corporation, other business entity or trust, no person shall exercise the rights of membership in the Association until he has furnished written proof to the satisfaction of the Secretary that the person has been designated to act as the Owner for these purposes, pursuant to Section 1.3(r) of these Bylaws. Satisfactory proof shall normally mean formal legal documentation, i.e., relevant pages of the trust or partnership agreement, stock certificates, etc. The Board of Directors shall be the final arbiter of whether the particular form of proof of the relationship between the entity and the individual is in fact sufficient

2.3 Termination of Membership. Membership in the Association shall automatically terminate when such Member is no longer an Owner.

2.4 Voting Rights. In all matters submitted for a vote, including the election of directors, the following rules shall apply:

- (a) **One Vote.** Members in Good Standing shall be entitled to one vote per Building Site. In the case of a vote to elect directors, an Owner may cast one vote for each office of director to be filled in the election. For example, if four directors are being elected, the owner may cast one vote for each of four separate candidates but may not cast more than one vote for any given candidate.
- (b) **No Cumulative Voting.** Members shall not be allowed to use cumulative voting.
- (c) **Co-Owners.** When there is more than one record Owner of a Building Site ("Co-Owners"), all such Co-Owners shall be Members and may attend any meeting of the Association, but only one Co-Owner shall be entitled to exercise the vote to which the Building Site is entitled. The Co-Owners shall from time to time designate in writing one person to exercise the vote; if they fail to do so, the vote shall be exercised as the majority of the Co-Owners mutually agree. Unless the Board receives a written objection in advance from a Co-Owner, it shall be conclusively presumed that the voting Co-Owner is acting with the consent of his Co-Owners.
- (d) **Multiple Votes Invalid.** In the event more than one vote is cast for a particular Building Site, none of the votes shall be counted and all such votes shall be deemed invalid except that one vote shall be counted for the purpose of achieving a quorum.
- (e) **Suspension of Voting Rights.** The right of a Member to vote shall automatically be suspended if the Member is not in Good Standing. This privilege shall remain suspended until such time as the cause of the suspension has been cured and any monies owed to the Association, including but not limited to any fines, assessments, accumulated penalties, interest and costs of collection, have been paid in full. In the event a Member owns two or more Building Sites, if voting rights are suspended due to non-payment of assessments levied against one such site it shall not prevent the Member from exercising those voting rights associated with the Building Sites for which the Member is current in the payment of his assessments.
- (f) **Confidentiality.** All ballots and proxies cast either at a meeting or by written consent shall be confidential except as to persons or entities who are designated as election monitors or auditors. Notwithstanding any other provision of these Bylaws to the contrary, and except as required by law, ballots and proxies may only be inspected and copied by the independent auditor, Inspector of Elections and by those persons chosen by the Board to assist the Inspector or to count the vote under Article 5.6 of these Bylaws.
- (g) **One Community.** Notwithstanding the multiple Declarations, Hidden Hills is one community in which all Members vote as one body on all issues, including but not limited to election of directors and amendment of the Declarations. None of

the Declarations may be amended unless the Members vote to amend all like provisions in each of the Declarations.

ARTICLE 3 **MEETINGS OF MEMBERS**

3.1 Place of Membership Meetings. Annual and Special Meetings of the Membership shall be held at the Association's principal office as specified above in paragraph 1.2, unless the Board determines that a larger meeting room is required in which case the meeting room selected by the Board shall be as close as reasonably possible to the principal office.

3.2 Annual Meetings. There shall be at least one meeting of the Members in each calendar year for the purpose of electing directors and conducting any other legitimate business of the Association. The Board shall fix the hour and date for the holding of regular annual meetings; provided, however, that each annual meeting shall be held in the same month of the preceding annual meeting if it is reasonably practicable to do so but in no event more than fourteen (14) months from the date of the preceding annual meeting.

3.3 Special Meetings. Special meetings of the Members may be called by any of the following:

- (a) ***The President.*** The President of the Association.
- (b) ***The Board.*** A majority of the members of the Board.
- (c) ***The Members.*** Members in Good Standing constituting at least five percent (5%) of the voting power of the Association. If a special meeting is called by Members of the Association, the request shall be submitted to the Association at its principal office in writing, specifying the nature of the business to be transacted. Within twenty (20) days of the receipt of the valid request, the Board shall verify the signatures on the request and, if the request is valid, notify the Membership of the special meeting. The Board shall set a reasonable time, date and location for the meeting not less than ten (10) days nor more than ninety (90) days following the mailing of the notice.

3.4 Notice of Members' Meetings. Notice of all meetings of the Members shall be given by the Board.

- (a) ***General Notice Contents.*** All notices of meetings of Members, both special and annual, shall be given not less than ten (10) days nor more than ninety (90) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the nature of the business to be transacted as specified by those persons calling the meeting, (and that no other business may be transacted except as specified in the notice), or (ii) in the case of the annual meeting, those matters which the Board intends to present for action by the Members.

- (b) ***Manner of Giving Notice.*** Notice of any meeting of Members, both annual and special, shall be given either personally or by first-class mail, facsimile, email or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other address has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by personal delivery, first-class mail, email or by facsimile to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County where the principal office of the Association is located, including without limitation the community newsletter. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written or electronic communication.
- (c) ***Certification of Mailing Notice.*** A declaration of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary, Assistant Secretary, or any other party giving the notice, and, if so executed, shall be filed and maintained in the minute book of the Association.

3.5 Quorum. One third of the voting power of the Association, represented in person or by proxy, shall constitute a quorum at all meetings of Members; provided, however, that at any meeting which has been adjourned from a prior date pursuant to Article 3.7 of these Bylaws, one-fourth of the voting power of the Association shall constitute a quorum.

3.6 Voting Rights. Each Member shall be entitled to voting rights as provided in Article 2.4 of these Bylaws. Except as provided by law, in these Bylaws, or in the Declarations, the affirmative vote of a majority of a quorum of the Members represented in person or by proxy shall be required to pass any motion.

3.7 Adjourned. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Board or the Members represented at the meeting, either in person or by proxy; provided, however, an adjournment for lack of a quorum shall be to a time not less than fifteen (15) days nor more than forty-five (45) days from the time the original meeting was called. If after adjournment a new date is fixed for the adjourned meeting, notice of the time and place of such adjourned meeting shall be given to Members in the manner prescribed for the giving of notice of annual and special meetings of Members. In the absence of a quorum, no business may be transacted except to adjourn the meeting to another date and time.

3.8 Action by Written Consent of Members. The election of directors must occur at a meeting. Other than the election of directors, any action which may be taken at any annual or special meeting of Members may be taken without a meeting if the Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association.

- (a) ***Valid Approval.*** Approval by written ballot pursuant to this section shall be valid only when (i) the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and (ii) the number of votes cast by ballot equals or exceeds the number of votes that would be required to approve the action at a meeting. To constitute a valid vote, a ballot must be completed and returned, by the deadline, by either first class mail, personal delivery, facsimile or email.
- (b) ***Transmittal of Ballots.*** Ballots shall be delivered personally or by mail or other means of written communication addressed to each Member at the address of such Member appearing in the books of the Association or given by the Member to the Association for purpose of notice; or, if no such address appears or is given, at the place where the principal office of the Association is located or by publication at least once in a newspaper of general circulation in the County in which the principal office is located, including but not limited to the community newsletter. A certification of transmittal in accordance with the provisions of this subsection, executed by the Secretary, shall be prima facie evidence of the effective transmittal of ballots.
- (c) ***Extension of Time.*** If, by the time specified by the Board for return of the ballots, the Board has received completed ballots from less than the percentage of the voting power necessary to achieve a quorum, or if a quorum has been achieved but ballots have not yet been received from the percentage of Members required to pass the measure, the Board may extend the balloting period for a time not to exceed thirty (30) additional days. Whenever the Board elects to extend the balloting period under this subsection each Member shall be notified in writing within five (5) business days.

3.9 Voting/Proxies. Every Member in Good Standing entitled to vote at a meeting of the Association shall have the right to do so either in person or by one or more agents authorized by a written proxy, signed by the person and filed with the Secretary of the Association.

- (a) ***Voting in Person.*** Ballots will be available for voting in person a minimum of one half hour prior to the start of the meeting. (See Election Procedures in the Rules & Regulations for more specifics.)
- (b) ***Voting by Proxy.*** Proxies will be distributed to every eligible Member. (See Election Procedures in the Rules & Regulations for more specifics.)
- (c) ***Revocability.*** A proxy that does not state that it is irrevocable shall continue in full force and effect unless revoked by (i) the Member by a writing delivered to the Association stating that the proxy is revoked before the vote cast pursuant to that proxy, (ii) a subsequent proxy executed by such Member or (iii) personal attendance and voting at a meeting by such Member; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of the California Nonprofit Corporation Law.

- (d) **Form of Solicited Proxies.** Each proxy shall bear the genuine original signature, or an email or facsimile copy thereof, of the Member giving the proxy. In any election of directors, any form of proxy that is marked by a Member "withhold," or "for quorum purposes only" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be voted either for or against the election of a director. Failure to comply with this subparagraph shall not invalidate any election but may be the basis for challenging the proxy at a meeting.
- (e) **Designated Proxy.** Members may (i) designate how the proxy shall be voted in which case the proxy holder must vote in accordance with the directed vote or (ii) designate that the proxy may be used for "quorum purposes only" in which case the proxy may be used for establishing a quorum but cannot be voted or (iii) designate that the proxy holder may cast the vote as the proxy holder may deem appropriate.

3.10 Clarification or Correction of Ballots. If, upon reviewing the proxies and ballots timely cast at a meeting or by written consent, the Inspector of Elections concludes there is a defect or deficiency in a proxy or ballot which a Member has cast, the Inspector may, with the approval of the President, contact the Member to seek clarification or correction of the proxy or ballot; provided, however, that if any one Member is contacted for this purpose then all Members whose proxies or ballots were not counted for this reason must be contacted.

3.11 Conduct of Elections. In the event there are more candidates running for the Board than there are vacancies to be filled, the Board shall retain the services of an independent auditor to collect and count votes. In the event there are an equal number of candidates or there are fewer candidates running for the Board than there are vacancies, the Board is not required to retain the services of an independent auditor.

3.12 Parliamentary Procedure. All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

ARTICLE 4

MEETINGS OF THE BOARD

4.1 Place of Meetings. All meetings of the Board shall be held at the Association's principal office or at such other place convenient to the Board located within the City of Hidden Hills.

4.2 Organization Meeting. Immediately following each annual meeting of the Members, the Board shall adjourn to an executive session meeting for the purpose of electing officers. The Members shall be notified of the selection of officers either prior to adjournment of the annual meeting or in the next community newsletter.

4.3 Regular Meetings. Meetings of the Board of Directors shall be held at least once per month unless a quorum cannot be obtained.

4.4 Executive Session Meetings. A quorum of the Board may meet in executive session to discuss and vote upon the following items: (i) personnel matters, (ii) third party contracts, (iii) legal matters including litigation in which the Association is or may become involved, and (iv) member discipline. Executive session meetings may only be attended by directors and officers, provided, however, the Board may in its discretion invite other persons to participate in the meeting whose attendance the Board concludes is necessary and appropriate. Such persons may include, for example, staff, consultants, vendors, attorneys, Residents, and any other person whose attendance the Board concludes would be helpful given the subject of the particular meeting. Notwithstanding the foregoing, Members may attend executive session meetings to participate in their own disciplinary hearings and may, upon notification to the Board, be accompanied by witnesses and/or representatives.

4.5 Minutes of Meetings. The minutes of any Board meeting other than an executive session shall be available to Members within thirty (30) days of the meeting and shall be distributed to any Member within 10 business days upon written request and upon reimbursement of the Association's cost in making that distribution. Executive session minutes shall not be disclosed; however, any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire Membership.

4.6 Special Meetings. Special meetings of the Board for any purpose may be called at any time by the President or by any two (2) directors other than the President. Special meetings of the Board shall be held upon four (4) days' notice to each Board Member delivered personally or by telephone or facsimile, except in the case of an emergency. Notice of a meeting need not be given to any director who has provided a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

4.7 Notice to Members. Written notice of the time and place of any regular or special meeting of the Board (other than executive session meetings) and the nature of any special business to be considered at the meeting shall be posted in the monthly community newsletter or by mail, email, fax or on the guard houses at least four (4) calendar days prior to the meeting, except in the case of an emergency.

4.8 Teleconference. Members of the Board may participate in a meeting through use of a conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

4.9 Quorum. A quorum of the directors must be present at any meeting of the Board in order for the Board to transact any business. For purposes of this Article, a majority of the total number of directors (as fixed by the Governing Documents) shall be necessary to constitute a quorum. If a quorum is achieved, every act or decision made or done by the majority of directors present at that meeting shall be regarded as an act of the Board. In accordance with

Civil Code §7211, a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of director, if any action is approved by at least a majority of the remaining directors.

4.10 Adjournment. A majority of a quorum of the directors may adjourn any meeting of the Board to another stated day and hour.

4.11 Attendance by Members at Board Meetings. Except for executive session meetings, all regular and special Board meetings shall be open to all Members; provided, however, the Board may regulate the time and extent to which Members may participate in the Board's discussions and deliberations.

4.12 Action by Written Consent in Lieu of Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting if all directors shall consent in writing by e-mail or facsimile to such action, either before or after the action is taken. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall state that the action was taken by unanimous written consent of the Board without a meeting, and that these Bylaws authorized the directors to so act. Such action by written consent shall have the same force and effect as a unanimous vote of such directors at a meeting. For the purposes of this Article only, "all directors" shall not include any "interested directors" as defined in California Corporations Code §5233 as made applicable pursuant to §7238.

ARTICLE 5 **DIRECTORS**

5.1 Powers. In addition to the powers and duties of the Board as set forth in the Governing Documents and the Corporations Code, all corporate powers shall be exercised by, or under the authority of, and the business and affairs of the Association shall be controlled by, the Board of Directors. Without prejudice to such general powers, the Board is vested with and shall have the following powers:

- (a) ***Select Employees and Compensate.*** To select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, the Declarations and/or these Bylaws, to fix the compensation of agents and employees and to oversee their performance;
- (b) ***Conduct Business.*** To conduct, manage and control the affairs and business of the Association, and to enforce such rules and regulations therefore consistent with law, with the Articles, the Declarations and/or these Bylaws, as the Board may deem necessary or advisable; and
- (c) ***Enforce Governing Documents.*** To enforce the Governing Documents of the Association including, without limitation, the Articles, Declarations, Bylaws, Architectural Standards, Rules & Regulations, and Gate Operations Manual.
- (d) ***Issue a Certificate of Violation.*** To issue a Certificate of Violation. Any certificate duly authorized and executed by the President and Secretary, or by a majority of the Board, which shall be conclusive proof of all matters contained in

the certificate as to any act or non-act of the Association and the Board, or any of their respective committees or agents, or as to the performance or non-performance of any act of any Member as to violations of the Governing Documents, or as to any matters contained in the records of the Association or said Board. In the event a Certificate of Violation is issued, it shall be kept on file in the Association's records.

- (e) **Promote General Welfare.** To take all actions which are deemed reasonably necessary or appropriate to preserve, protect, and promote the general welfare of the Members and to perform the duties and tasks which are defined in the Declarations.

5.2 Number of Directors. The Board shall consist of a maximum of seven (7) directors, each of whom shall be a Member of the Association.

5.3 Qualification of Directors. Persons wishing to serve on the Board of Directors must meet the following minimum requirements:

- (a) A person may only be appointed to the Board or be a candidate for the Board, or, once appointed or elected, continue to serve as a member of the Board, if the person:
 - i. **Membership.** Is a Member of the Association.
 - ii. **Assessments/Fines.** Is current in the payment of any monies owed to the Association, including but not limited to assessments, judgments, liens, fines, or other encumbrances levied by the Association.
 - iii. **Litigation.** Is not engaged (and/or a member of his or her household is not engaged) as an opponent in litigation, arbitration, or mediation with the Association, and/or has not been so engaged within the 6 month period prior to the time when such person would be a candidate for the Board or be appointed or elected to the Board.
 - iv. **Certificate of Violation.** Does not currently have a Certificate of Violation and has not been issued a Certificate of Violation by the Association within the 12 months prior to the date when such person would be a candidate for the Board or be appointed or elected to the Board.
 - v. **Co-Owners.** Is not a co-owner of a Building Site or co-member of a household with any person currently serving on the Board.
 - vi. **Duration of Residency.** Has been a Resident for at least two (2) years prior to the date the person would be a candidate for the Board or be appointed or elected to the Board.
 - vii. **Involvement in the Community.** Has served as a qualified member of an Association Committee pursuant to Article 7.7 of these Bylaws for at least one

year prior to the date the person would be appointed or elected to the Board; OR has served as the Chairperson of the Association's annual Welcome Party or the City's annual Fiesta, OR has served as President of the Hidden Hills Horsemen.

- (b) In addition to the above, once appointed or elected, a director shall not continue to serve if the director:
- i. **Missed Meetings.** Misses four (4) regular public meetings of the Board within any twelve (12) month period or three (3) consecutive regular public meetings of the Board. If the person is disqualified from serving on the Board for this reason, the disqualification shall remain in effect for a period of 12 months;
 - ii. **City Council.** Is a current member of the Hidden Hills City Council;
 - iii. **Breach of Confidentiality.** Refuses to sign the Association's standard confidentiality agreement or is adjudged by the unanimous decision of the other Board members to have disclosed confidential information protected by that agreement without the express authority of a majority of the Board.

5.4 Term of Office. The term of office served by the directors shall be staggered. Each Member of the Association elected to the Board shall serve for a term of two (2) years, provided, however, that if the Annual Meeting in a given year is held in a later month than in the preceding year, the director shall continue to serve until a successor is elected. No person may be elected to or otherwise serve on the Board after completing three (3) consecutive terms unless and until he has been off the Board for at least one (1) year. For purposes of this Article the time during which any person serves by reason of appointment to the Board to fill a vacancy shall not apply to the three-consecutive-term limitation.

5.5 Insufficient Candidates. If the number of candidates running for vacancies on the Board is less than the number of vacancies then the new Board, after the election, may appoint Members who are qualified pursuant to Article 5.3 of these Bylaws to fill any vacancies that exist.

5.6 Inspector of Election. The Secretary of the Board or Independent Auditor shall serve as the sole Inspector of Election to: (i) supervise registration and voting procedures; (ii) determine the existence of a quorum for the transaction of business; (iii) supervise the voting; (iv) determine the authenticity and effect of proxies; (v) receive votes and ballots; (vi) hear and determine all challenges and questions in connection with the right to vote; (vii) supervise the counting and tabulation of votes; (viii) determine the result of the election; and (ix) do such other acts as may be proper to conduct the election with fairness to all Members. The Secretary may ask for assistance from other persons in counting the vote who need not be Members of the Association. In the alternative, or if the election is one in which the Secretary is running for office, the Board may appoint another disinterested Board Member to serve in this capacity or may appoint a disinterested person not a Member to serve as Inspector. If any twenty (20) Members demand a recount of any vote, the recount shall be made by the Association's Manager and General Legal Counsel, or by any other two disinterested non-Members whom the Board shall appoint.

5.7 Candidate Mailings. The Association must, on request of any candidate for election to the Board and the payment of reasonable mailing costs, mail materials prepared by the candidate to all Association Members. The materials must be reasonably related to the candidate's election and mailed within ten (10) days after the request has been made and payment of the mailing costs has been received. If the Association wishes to avoid the obligation to undertake such a mailing on behalf of candidates, the Association may, within five (5) business days after receipt of a request, permit the candidate to inspect and copy the membership list or to obtain a copy of the list from the Secretary or Manager. If the Association chooses to provide the candidate with a copy of the membership list, a reasonable charge can be imposed to recover the Association's reasonable costs.

5.8 Resignation. Any director may resign at any time by giving written notice to the President or Secretary of the Board or by giving verbal notice at any regular or special meeting of the Board. Such resignation shall take effect on the date of receipt of the notice or at any later time specified in the notice and, unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective.

5.9 Removal for Cause. The Board shall declare vacant the offices of a director who has been (i) declared of unsound mind by a final order of court, (ii) convicted of a felony; or (iii) is disqualified under Article 5.3 of these Bylaws. A director shall automatically cease to become a director if at any point during his term of office he fails to meet the qualifications of a director as provided for in this Article.

5.10 Removal Without Cause. At any special meeting of the Members, notice of which has been properly given as provided in these Bylaws, the entire Board or any individual director may be removed from office if a majority of the entire voting power of the Association votes in favor of the removal. In the event that any or all directors are so removed, new directors shall be elected at the same meeting.

5.11 Vacancies. A vacancy or vacancies on the Board shall be deemed to exist in case of the death, resignation, removal or disqualification of any director, or in the event there are fewer candidates than there are vacancies during an election, as provided in these Bylaws. Vacancies on the Board created other than by removal by the Membership may be filled by a vote of a majority of the remaining directors, and each director so elected shall hold office until his successor is elected at an annual meeting of Members or at a special meeting called for that purpose. In the event the remaining directors do not fill the vacancy, a special election shall be noticed by the Board within thirty (30) days for the election of a director by the Membership, and the meeting shall be held within 45 days thereafter. Provided, however, that if the next annual election is scheduled to occur within 120 days of the date the vacancy occurs, the Board may elect to hold off filling the vacancy until the annual election. Vacancies on the Board created by removal by the Membership may only be filled by a vote of Members.

5.12 Compensation of Directors. No Director or officer shall receive compensation for any service he may render to the Association solely as his standing as a director or officer. However, any Director or officer may be reimbursed for his actual expenses incurred in the performance of his duties. Nothing herein shall preclude any Director or officer from serving the Association in any other capacity and receiving compensation therefore, as authorized and approved by the Board. Any Director or officer receiving any special compensation for services

in such other capacity shall be excluded from deliberations and voting by the Board relative to the authorization of such other services and the fixing of compensation for those services.

ARTICLE 6 **OFFICERS**

6.1 Officers. The officers shall consist of be a President, a Vice-President, a Secretary and a Treasurer, each of whom shall be elected by and hold office at the pleasure of the Board. All officers, other than the treasurer, shall be members of the Board.

6.2 Selection of Officers. The officers of the Association shall be chosen annually by the Board and each shall hold office until he or she shall resign, be removed or otherwise be disqualified to serve.

6.3 Subordinate Officers. The Board may 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 these Bylaws or as the Board may from time to time determine.

6.4 Removal and Resignation. Any officer may be removed, either with or without cause, by the vote of a majority of all the directors then in office at any regular or special meeting of the Board at which a quorum is present. Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Association or by giving verbal notice at any regular or special meeting of the Board. Any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

6.6 President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs of the Association. The President shall be an ex-officio member of all standing committees, if any, shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have other powers and duties as may be prescribed by the Board or these Bylaws. Such powers shall include the authority, in between Board meetings, to make ministerial decisions which cannot reasonably wait until the next Board meeting. Provided, however, such actions shall be duly noted in the minutes of the next Board meeting and that any such decisions involving legal, financial or contractual matters shall be ratified by the Board at that meeting. The President shall act as spokesperson (or liaison) between the Manager, if any, and the Board of Directors. No person may be appointed or otherwise serve as President until he has completed at least one (1) year on the Board.

6.7 Vice President. In the absence or disability of the President, the Vice President, if any, shall perform all the duties of the President, and when so acting shall have the powers of, and be subject to all the restrictions upon, the office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or these Bylaws.

6.8 Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board may order, of all meetings of directors and Members; with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present or represented at Members' meetings and the proceedings thereof. The Secretary shall keep, or cause to be kept, at the principal office, a membership register showing the following: (1) The names and addresses of all members of the Board; (2) The names of the Members and their addresses; (3) The property to which each membership relates; and (4) The number of votes represented by each Member. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by the Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws. The Secretary may not serve concurrently as the President.

6.9 Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the monies, properties and business transactions of the Association. The Treasurer shall deposit or 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. He shall disburse or cause to be disbursed the funds of the Association as may be ordered by the Board, shall render or cause to be rendered to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws. The Treasurer may not serve concurrently as the President.

ARTICLE 7 **COMMITTEES**

7.1 Appointment By Board. The Board shall form those committees which are expressly required in the Declarations or in this Article. In addition, the Board may form such other committees as it feels are appropriate from time to time. The Board shall appoint the members of each committee, each of whom shall serve for a term of one (1) year or until the next annual meeting of the Members (whichever shall first occur), or until the person has resigned or been removed as described below. All committee members shall be appointed by and serve at the pleasure of the Board.

7.2 Qualifications. Persons wishing to serve on a committee shall meet the following qualifications:

- (a) A person may only be appointed to serve or, once appointed to serve, continue to serve on a committee if the person:
 - i. ***Membership/Residency.*** Is a Member of the Association or a Resident.
 - ii. ***Assessments/Fines.*** Is current in the payment of all monies owed to the Association, including but not limited to any assessments, judgments, liens, fines or other encumbrances owed to the Association;

- iii **Litigation.** Is not engaged (and/or a member of his or her household is engaged) as an opponent in litigation, arbitration, or mediation with the Association, and/or has been so engaged within the 6 month period prior to the time when such person would appointed to the committee;
 - iv **Certificate of Violation.** Does not currently have a Certificate of Violation and has not been issued a Certificate of Violation by the Association within the 6 months prior to the date when such person would be appointed to or serve on the committee;
- (b) In addition to meeting the above qualifications, once appointed, no committee member shall remain on a committee if the person:
- i. **Missed Meetings.** Misses four (4) regular meetings of the committee within any twelve (12) month period or three (3) consecutive regular committee meetings; If the person is disqualified from serving on a committee for this reason, the disqualification shall remain in effect for a period of 12 months;

7.3 Composition of Committees. The number of persons serving on each committee shall be as determined by the Board except where otherwise provided in the Declarations or these Bylaws. Notwithstanding limits placed on committee size by the Board, the Board shall use good faith efforts to accommodate Residents who wish to serve on a committee. The Board shall attempt, whenever reasonably possible, to have at least one Board member serve as a liaison to each committee.

7.4 Chairman. The Board shall appoint a chairman of each committee, who shall preside at all committee meetings and report to the Board at its regular meetings once per month.

7.5 Removal and Resignation. All committee members may be removed by the Board with or without cause in the same manner provided for removal of officers as specified in these Bylaws. All vacancies shall be filled as soon as practicable by a vote of the Board.

7.6 Compensation. Committee members may not receive compensation of any kind for any service(s) they may render to the Association solely as a committee member. However, any committee member (other than persons who are concurrently serving on the Board) may be reimbursed for his actual expenses incurred in the performance of his duties at the discretion of the Board.

7.7 Attendance at Committee Meetings. Except as provided below, Members shall have the right to attend open meetings of the Association's committees. Members shall be permitted to invite non-Members (such as contractors, designers, vendors and attorneys) to committee meetings. Further, Members may send representatives to committee meetings on their behalf and, if so specified by the Member in writing, said representatives can interact with and participate in the committee meeting as if they were the Member. Notwithstanding the foregoing, attorneys may not speak in committee meetings unless the committee is also represented by the Association's attorney. Further, members of the press are not permitted to attend any Association meetings without prior written permission from the Board

- a) ***Nominating Committee.*** The Nominating Committee meetings are not open to the Members except upon invitation.
- b) ***Architectural Committee.*** Regular open meetings of the Architectural Committee are scheduled on dates prescribed by the Board of Directors. However, in between formal meetings, members of the Architectural Committee may meet informally, without notice to the Members, with each other or with vendors, consultants, staff and others in order to review projects, gather information, discuss projects, and perform the duties assigned them under the Governing Documents. These meetings are not open to the Members.

7.8 Minutes. Written meeting minutes shall be kept, to the extent possible, for each committee whose meetings are open to the Membership. Said minutes shall be available to the Board and all Members within five business days after being approved by the committee.

7.9 Nominating Committee. Each year, prior to the Annual Meeting, the Board shall appoint a five-member nominating committee comprised of two (2) members of the current Board of Directors who are not up for reelection and three (3) non-directors who are Members of the Association.

- a) ***Duties.*** The nominating committee shall perform the following duties:
 - i. Establish a deadline for submission of candidate applications based upon the date of the Annual Meeting. Such deadline shall be at least 45 days prior to the election, and notice shall be sent to the Membership at least 30 days prior to the deadline;
 - ii. Actively solicit candidates for the elective positions on the Board of Directors;
 - iii. Obtain an application from each Member contacted who agrees to become a candidate;
 - iv. Receive applications for the elective positions on the Board submitted by those Members not solicited by the Committee;
 - v. Determine each potential candidate's compliance with Article 5.3 of the Bylaws, Qualifications of Directors, based on the information provided on the application as well as from other sources;
 - vi. Nominate each Member who completes an application and who meets the qualifications outlined in Article 5.3 of the Bylaws;
 - vii. Ensure that the candidates' personal statements and applications, to the extent they are provided by the candidates, are mailed out with the proxies.
- (b) ***Additional Nominations.*** No further nominations, including nominations from the floor, will be accepted after the deadline established by the Nominating Committee, unless there are insufficient candidates to fill the available slots. In the event additional nominations are received and accepted, all candidates nominated from the floor must be qualified to run for and serve on the Board pursuant to Article 5.3 of these Bylaws.

ARTICLE 8

POWERS OF ASSOCIATION

8.1 Management of the Community Development. The management and control of the Community Development shall be the responsibility of the Association, acting alone or through its Board of Directors, officers and other authorized representatives in accordance with the provisions of the Governing Documents. The Association, acting alone or through its Board, Officers, Manager, or any duly authorized agent or representative, shall constitute the "management body" within the meaning of Section 1363 of the California Civil Code.

8.2 Powers and Duties Generally. In addition to the powers of assessment, collection and enforcement, and the other powers set forth in the Declarations, the Board may exercise any and all rights and powers which are necessary or proper to maintain and keep the Community Development in a good state of repair, to enforce any of the provisions of the Governing Documents, or to carry out and perform its powers and responsibilities, including but not limited to the right to grant permits, licenses and easements over the Common Areas for purposes reasonably necessary or useful for the proper maintenance or operation of the Community Development.

8.3 Borrow Money. The Board shall have the authority to borrow and repay monies as may be needed in connection with the discharge of the Association's duties, and to encumber property of the Association or assign special assessment rights as security for the repayment of such borrowed money; provided, however, that except in the case of an emergency, the Board may not borrow an amount which is greater than five percent (5%) of the budgeted gross expenses for the then-current fiscal year without the approval of a majority of a quorum of the Members.

8.4 Litigation. The Board shall have the authority to initiate, defend, settle or intervene on behalf of the Association in litigation, arbitration, mediation or administrative proceedings in any capacity necessary to represent the interests of the Association.

8.5 Limitations on Sale of Property. In no event shall the Board of Directors sell during any fiscal year property owned by the Association having an aggregate market value in excess of five percent (5%) of the assets of the Association without the approval of a majority of a quorum of the Members.

8.6 Powers and Duties Specifically. In addition to the powers and duties found elsewhere in these Bylaws and the Declarations, the Association, through its officers, and directors, employees and agents shall provide, perform, cause to be performed, maintain, acquire, contract and/or pay for out of Assessments all or any of the following:

- (a) **Insurance.** Policies of casualty, liability and other insurance covering such persons, property and risks as are more particularly set forth in these By-Laws.
- (b) **Management Services.** The management of the Association.
- (c) **Vendor Services.** The services of vendors which the Board may determine to be necessary or proper to the daily management, operation and maintenance of the Community Development.

- (d) **One Year Limit.** No contract for such services shall be made and entered into which binds the Association for a period in excess of one year, without the vote or written consent of a majority of a quorum of the Members of the Association. Any such contract shall provide that it is terminable for cause immediately, or without cause on sixty (60) days notice.
- (e) **Exceptions to One Year Limit.** The following exceptions may exceed one year without a vote of the membership:
- i. **Public Utility Contract.** A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;
 - ii. **Insurance.** Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policies permit for short rate cancellation by the insured;
 - iii. **Gate Operations.** Agreements for gate operation services, security services and equipment not to exceed three (3) years duration;
- (f) **Conflicts of Interest.** The Association shall not enter into a contract with any third party in which any director or officer has a material direct or indirect economic or ownership interest without (i) full disclosure to the Board and approval by the Board; (ii) abstention from voting by any director or officer receiving economic or ownership benefit therefrom; (iii) disclosure of the nature of the conflict in the minutes of the Board meeting in which the contract is approved; and (iv) annual written disclosure to the Membership of all interested party contracts in excess of \$5,000.00 in a fiscal year.
- (g) **Materials.** All supplies and materials necessary or proper to the daily management, operation and maintenance of the Community Development.; provided, however, that no contract for such supplies and materials shall be made and entered into which binds the Association for a period in excess of one (1) year, except with the prior approval of a majority of a quorum of the Members. Any such contract shall be terminable immediately for cause or on thirty (30) days' notice without cause.
- (h) **Operations.** The designation, provision, control and maintenance of those portions, if any, of the Common Area used exclusively by such Persons as are employed by the Association to provide for the daily operation and maintenance of the Community Development.
- (i) **Repairs; Maintenance; Reconstruction.** Arrangements for and expenses related to the cleaning, painting, maintenance, repairs, reconstruction and replacement of all or any portion of the Community Development or the personal property owned or leased by the Association which is required to be cleaned, painted, maintained, repaired, reconstructed or replaced by the Association.

- (j) ***Gardening and Landscaping.*** The services of a gardener or other personnel to maintain, renew, and replace all or any portion of the landscaping, gardens and green areas within the Common Area, together with all tools, supplies, plants and equipment reasonably necessary for such purpose.
- (k) ***Bulk Cable Television.*** A contract for a term not to exceed five (5) years to provide cable or satellite television service to the Community Development for the benefit of the Members.
- (l) ***Pest Control.*** The repair and maintenance of the Common Area occasioned by the presence of pests or organisms. The Association may cause the temporary, summary removal of any occupant of the Community Development for such period and at all such times as may be necessary for prompt, effective treatment of pests or organisms. The costs of such temporary relocation during the repair and maintenance of the areas within the responsibility of the Association shall be borne by the Member affected. The Association may cause the temporary, summary removal of any occupant of the Community Development for such period and at all such times as may be necessary for prompt, effective treatment of pests or organisms.
- (m) ***Legal and Accounting.*** Legal and accounting services and fees for the Association, the Board, Officers, the Manager and his staff, Association employees, consultants, and vendors, provided that the services and fees are incurred solely in connection with (i) the management, operation and maintenance of the Community Development, (ii) the performance or enforcement (including the collection of Assessments) of the provisions of the Declarations, the Articles of Incorporation, or the Bylaws, or (iii) litigation in which the Association is a party.
- (n) ***Taxes and Assessments.*** Taxes and/or assessments assessed against the Association or the property of the Association.
- (o) ***Hold Title and Make Conveyances.*** Acquire, hold title to, lease, vote and convey, with or without consideration, real and personal property and interests therein, including but not limited to easements.
- (p) ***Foreclosures.*** Foreclose upon any Building Site for non-payment of Assessments or other liens recorded against the Building Site, to take title to the Building Site, and to assume or otherwise pay off any encumbrances subject to the limitations of this Article.
- (q) ***Establish Rules.*** Establish and publish uniform rules and regulations as may be deemed by them to be reasonable in connection with the use, occupancy and maintenance of the Community Development, and to alter, amend or modify such rules and regulations from time to time. Such rules and regulations, which include but are not limited to the Bylaws, Rules & Regulations, Architectural Standards, Gate Operation Manual and any other document adopted by the Association containing “operating rules” within the meaning of Section 1357.100,

et seq. of the Civil Code, shall be binding upon each and every Member as well as the members of his family, his Residents, Tenants, Guests, employees, servants, and invitees, and shall have the same force and effect as if they were set forth in the Declarations. A copy of such rules and regulations shall be (i) distributed to each Member upon purchasing a Building Site, and (ii) available to existing Members and Residents in the Manager's office. Any amendments to the Governing Documents made by the Board of Directors shall comply with the provisions of Section 1357.100, *et seq.* of the Civil Code.

- (r) ***Charge Fees.*** Charge reasonable deposits and fees for use of any Community Facilities situated on the Common Area, and such other reasonable deposits and fees as the Board may deem appropriate.
- (s) ***Utility Suppliers.*** Permit utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development and operation of the Community Development.
- (t) ***Architectural Standards.*** Establish uniform architectural and construction standards for the improvement of the Common Area and Building Sites and amend said Standards from time to time as may be necessary.
- (u) ***Traffic Control.*** Establish rules to control visitor and Resident entrance to the Community Development and to alter, amend or modify such rules from time to time as deemed appropriate.
- (v) ***Miscellaneous Services.*** Sponsor parties and recreational events, construct facilities, and provide such other services for the use, enjoyment and protection of the Community Development and the residents thereof as the Board of Directors may determine from time to time are reasonable, proper or desirable.

8.7 Delegation to Manager. The Association or the Board may from time to time delegate certain of its duties, powers or functions to any qualified person to act as Manager provided that the Manager shall act at all times at the direction and under the supervision of the Board.

8.8 Right of Entry to Inspect or Repair. Representatives of the Association, including but not limited to Association employees, consultants, contractors, surveyors, engineers, and workmen shall have the right and authority to enter any Building Site to determine the status of Common Area maintenance, to perform maintenance on or repairs to the Common Area, or to determine compliance with the Governing Documents. Any person entering a Building Site for these reasons shall be subject to no liability to the Member or occupant and no trespass or other wrongful act shall be deemed to have been committed by reason of such entry, repair or other acts to affect compliance with the Governing Documents.

- (a) ***Notice.*** Except in the case of a determination of compliance with the Governing Documents, the right of entry shall be preceded by at least 24 hours prior written notice to the Owner or occupant thereof. Any such notice shall specify the reason for entry and be personally delivered to any occupant of the Building Site, may be left on or under the door of the home, or may be mailed to the Building Site

unless the Member has specified in writing a different location for notice to be sent.

- (b) ***Avoid Unreasonable Interference.*** The right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the Member or occupant.
- (c) ***Emergency Entry.*** Notwithstanding the foregoing, in an emergency situation in which it is not feasible to seek permission, or if permission is refused, the Board or its authorized representative can enter without notice. In an emergency situation if the Member or occupant is available to provide access but refuses to do so the Member and occupant (i) shall have no right of action against the Association or its representatives if it is necessary to damage or destroy property to gain access to the Building Site or home, and (ii) shall pay the cost of any such damage. For purposes of this provision, access to the interior of the home is only permissible if there is reason to believe damage to the Common Area is emanating from the inside of the home.

8.9 Member Failure to Maintain. In the event any Member fails to maintain his Building Site in a manner consistent with the Architectural Standards or in a safe, clean and sanitary condition, including establishing and maintaining drainage, preventing erosion, and abating weeds, and to make repairs thereto in such a manner as deemed reasonably necessary in the judgment of a majority of the Board to preserve and protect the value or appearance of the Community Development as a whole, or the safety and welfare of the other Members, the Board shall give written notice to such Member, stating with particularity the work, maintenance or repair which the Board finds to be required and directing that the same be carried out within a period of thirty (30) days from the giving of such notice or such longer period as may be reasonably required for the prompt completion thereof. In the event the Member fails to carry out such maintenance or repairs within the period specified by the notice, the Board may, after duly noticing and conducting a hearing in accordance with the provisions outlined in the Rules and Regulations: (a) impose fines and other sanctions as provided under these Bylaws and as specified in the Rules and Regulations, and/or (b) cause such work to be done in the name of such Member in which case the Board shall assess the cost thereof, including the cost of all necessary building or other permits, to the Member, and/or (c) file a Certificate of Violation with respect to the Building Site. In the event the Board causes the work to be done in accordance with this Article, entrance to the Building Site may be gained pursuant to this Article and neither the Association nor any of its authorized representatives shall be liable for any damage caused in gaining access to the Building Site or performing any maintenance or repairs. Such an Assessment for the cost of such work and associated building permits shall become an Assessment as defined in these Bylaws.

8.10 Limitation of Liability. No officer, director, manager, employee, staff member, committee member, or agent of the Association shall incur any liability for any act or omission to any Member, Resident, Tenant, Guest, invitee or other third party, for any debt, obligation, expense, damage, property damage, personal injury, bodily injury, wrongful death or emotional distress, unless proximately caused by the gross negligence or willful misconduct of the person in question. The Association shall incur no liability for any wrongful act or omission to any Member, Resident, Tenant, Guest, invitee, or other third party, for any damage, property

damage, personal injury, bodily injury, wrongful death or emotional distress, unless proximately caused by its gross negligence or willful misconduct.

8.11 Indemnification. The Association shall and does hereby indemnify the Board of Directors (and each member thereof), the officers and committee members of the Association (and each of them), the Manager and each employee of the Association, against all expenses and liabilities, including attorneys' fees, reasonably incurred by such person or persons in connection with any proceeding to which he may be a party, by reason of his being or having been a Director, officer or Manager or employee of the Association, except in such cases where he is adjudged to have acted in bad faith or gross negligence in the performance of his duties.

8.12 Personal Property of Association. The Association may acquire and hold tangible and intangible personal property and may dispose of the same by sale or otherwise.

8.13 Non-Profit Character of Association. Notwithstanding anything contained in this Declaration to the contrary, neither the Association nor its Board of Directors, the Manager or the Manager's staff may do, conduct or engage in any activity, or cause the same to be done, which could reasonably be expected to jeopardize the non-profit character of the Association.

ARTICLE 9

BUDGETS, RESERVES AND FINANCIAL STATEMENTS

9.1 Review of Accounts. The Board of Directors shall do the following not less frequently than quarterly:

- (a) ***Operating Accounts.*** Cause a current reconciliation of the Association's Operating Accounts to be made and review the same.
- (b) ***Reserve Accounts.*** Cause a current reconciliation of the Association's Reserve Accounts to be made and review the same.
- (c) ***Actual to Budget.*** Review the current year's actual revenues and expenses compared to the current year's budget for the Association's Operating and Reserve Accounts.
- (d) ***Bank Statements.*** Review the most current account statements prepared by the financial institution where the Association has its Operating and Reserve Accounts.
- (e) ***Income and Expense Statements.*** Review an income and expense statement for the Association's Operating and Reserve Accounts.

9.2 Operating Budget. The Board shall prepare and distribute annually to all Members an estimated operating Budget for the next fiscal year. The Budget shall be distributed not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year and shall include the following:

- (a) ***Revenue and Expenses.*** The estimated revenue and expenses on an accrual basis.

- (b) **Reserves.** A summary of the Association's reserves based upon the most recent review or study which shall be printed in bold type and include (i) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component, (ii) the current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; and the current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components as of the end of the fiscal year for which the study is prepared.
- (c) **Special Assessments.** A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefore.
- (d) **Reserve Procedure.** A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain.
- (e) **Summary in Lieu Of.** In lieu of the distribution of the Budget, the Board may elect to distribute a summary of the budget to all the Members with a written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the Community Development and that copies will be provided upon request and at the expense of the Association. If any Member requests that a copy of the budget be mailed to the Member, the Association shall provide the copy to the Member by first-class mail at the expense of the Association and delivered within ten (10) business days. The written notice that is distributed to each of the Members shall be in at least 10-point bold type on the front page of the summary of the budget.

9.3 Annual Audit. An annual audit of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. A copy of the audited financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year, or at the Annual Meeting, whichever date shall occur first.

9.4 Lien Policies. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its Assessments against its Members shall be annually delivered to the Members.

9.5 Reserve Study. At least once every three (3) years the Board of Directors shall cause a study of the reserve account to be performed. When the result of the reserve account is known, the Board should devise within a reasonable period of time a plan to raise or maintain the reserves in accordance with the recommendation of the study. The study required by this subdivision shall, at a minimum, include:

- (a) **Major Components.** 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 thirty (30) years.

- (b) **Remaining Life.** Identification of the probable remaining useful life of the components as of the date of the study.
- (c) **Cost to Repair or Replace.** An estimate of the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life.
- (d) **Annual Contribution.** An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

9.6 Insurance Information. The Association shall disclose to the Members in writing on an annual basis the insurance information which is described in Section 1365(e) through (i) of the Civil Code, including summaries of the general liability, earthquake and flood, and director and officers liability insurance policies.

9.7 Budgets and Financial Statements. The Board of Directors shall arrange and be responsible for all of the financial information, described in this Article to be regularly prepared and distributed to all Members.

ARTICLE 10

ASSESSMENTS

10.1 Annual Assessment. Annual assessments levied by the Board shall be used exclusively for the purpose of improving, protecting, operating and maintaining the Common Area and the Community Facilities, improvements, landscaping and structures located thereon, and providing for the acquisition and maintenance of property, services and facilities devoted to this purpose, and directly related to the use and enjoyment of the Common Area and the Building Sites, and otherwise providing for the performance by the Board of each and every one of the powers and duties of the Board; provided, however:

- (a) **20% Limitation.** The Board shall not, without the approval by vote or written consent of Members constituting a majority of a quorum of the Members, impose an annual assessment which is more than twenty percent (20%) greater than the annual assessment for the immediately preceding fiscal year.
- (b) **Assessment Schedule.** The total estimated common expenses for the year shall be divided among, assessed and charged to and against the individual Members in accordance with the formula contained in the Declarations.
- (c) **Payable Annually.** The annual assessment shall be payable by each Member in full on or before November 10 of each year and shall be deemed to be delinquent if not received within thirty (30) days of that date.
- (d) **Written Notice.** Any increase in the amount of the annual assessments shall be made by written notice to each Member at least thirty (30) days in advance of the first payment due and shall be payable in the manner specified in said notice.

- (e) **Assessment Against Member.** Any annual assessment made pursuant to this Article shall be fully enforceable by any method provided for in the Governing Documents or under California law. All such available legal remedies may be utilized in a cumulative manner and no such remedy is exclusive.

10.2 Special Assessment. In addition to the annual assessment, the Board may levy during any fiscal year a special assessment, for any purpose necessary for the Association to carry out its duties under the Governing Documents, provided, however:

- (a) **5% Limitation.** The Board shall not, without the approval by vote or written consent of Members constituting a majority of a quorum of the Members, impose a special assessment which is more than five percent (5%) of the budgeted gross expenses of the Association for such fiscal year.
- (b) **Assessment Schedule.** The total estimated special assessment shall be divided among, assessed and charged to individual Members as provided in the Declarations.
- (c) **Payment Schedule.** The special assessment shall be payable by each Member against whom assessed: (i) monthly, or (ii) at such dates and in such installments as the Board shall determine.
- (d) **Written Notice.** A special assessment shall be made by written notice to each Member at least thirty (30) days in advance of the first payment due and shall be payable in the manner specified in said notice.
- (e) **Assessment Against Member.** Any Special Assessment made pursuant to this Article shall be fully enforceable as provided for in the Governing Documents, or under California law.

10.3 Reimbursement Assessments. The Board may levy an assessment for reimbursement of expenses incurred by the Association against a Member. Such assessment for reimbursement shall include:

- (a) **Member Damage.** Reimbursement for expenses incurred by the Association for damage caused to the Common Area or another Member's property by the Member or members of his family, social guests, domestic help or tenants.
- (b) **Building Site Repairs.** Reimbursement of expenses incurred by the Association for repairs made to the Member's Building Site pursuant to Article 8.9 of these Bylaws.
- (c) **Enforcement Expenses.** Reimbursement of all legal fees, legal costs, and other expenses incurred, whether or not litigation or arbitration is actually commenced, in gaining compliance by the Member with the Governing Documents.

- (d) **Written Notice.** A reimbursement assessment shall be made by written notice to such Member at least thirty (30) days in advance of the first payment due and shall be payable in the manner specified in said notice.
- (e) **Assessment Against Member.** Any reimbursement assessment made pursuant to this Article shall be fully enforceable as provided for under the Governing Documents or under California law.

10.4 Emergency Assessments. Notwithstanding any other provision of these Bylaws, the Board may levy special assessments without a vote and without regard to the 5% limitation in emergency situations. For purposes of this Article, an emergency situation is any one which is described in Section 1366 of the Civil Code and shall include:

- (a) **Order of Court.** An expense required by an order of a court of competent jurisdiction.
- (b) **Threat to Personal Safety.** An extraordinary expense necessary to repair or maintain the Community Development or any part of it for which the Association is responsible where a threat to personal safety on the Community Development is discovered.
- (c) **Unforeseen Expenses.** An extraordinary expense necessary to repair or maintain the Community Development or any part of it for which the Association is responsible and could not have been reasonably foreseen by the Board of Directors in preparing and distributing the pro-forma operating budget. However, prior to the imposition or collection of an assessment under this subsection, the Board of Directors shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of the Assessment imposed pursuant to this subsection.

10.5 Deposit of Assessments. All sums received or collected by the Association from Assessments, together with any interest charges attributable thereto, shall be promptly deposited into a checking or savings account in a bank or savings and loan association located in Los Angeles County or in some other location selected by the Board of Directors and thereafter prudently invested as directed by the Board, which account shall be clearly designated in the Association's name as the "Common Funds" of the Association.

- (a) **Exclusive Control.** The Board and such officers of the Association as the Board shall designate, shall have exclusive control of said account and shall be responsible to the Members for the maintenance at all times of accurate records thereof.
- (b) **Commingling.** The Association shall maintain separate accounts for its Operating funds and its Reserves, respectively, and no funds from those separate accounts shall be commingled at any time.

- (c) **Interest.** No Member shall have the right to receive interest on any such funds deposited.

10.6 Reserves. Notwithstanding the foregoing, all sums assessed and collected by the Association as part of the Annual Assessments which are budgeted to fund Reserves for anticipated long-term maintenance, repair and replacement of capital improvements upon the Common Area, the cost of which would not ordinarily be incurred on an annual basis, shall:

- (a) **Contributions to Capital.** Be received by the Association as contributions to the capital of the Association by the Member assessed.
- (b) **Segregated.** Be received in trust by the Board, set aside and segregated from the other Common Funds and not commingled with the Association's Operating Account.
- (c) **Invested.** Be invested with prudence and in accordance with fiduciary obligations owed to the Association.
- (d) **Interest.** No Member shall have the right to receive interest on any such funds deposited.
- (e) **Restricted Use.** Be used for the sole purpose of paying the cost of long-term maintenance, repair and replacement of capital improvements upon the Common Area, the cost of which would not ordinarily be incurred on an annual basis. Nothing contained in this Article shall be construed to prohibit the Board from budgeting for the operating fund an amount required each year to maintain the Common Areas.
- (f) **Two Signatures.** Be withdrawn from the reserve account only upon the signature of the President and Treasurer, or, in their absence, by any two (2) members of the Board of Directors.
- (g) **Temporary Transfers.** Notwithstanding the foregoing, the Board may authorize the temporary transfer of money from a reserve fund to the general operating fund of the Association to meet short term cash flow requirements or other expenses. Prior to transferring the funds, the Board must give notice to the Members in a regular Board meeting consistent with Section 1363.05 of the Civil Code. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. The transferred funds shall be restored to the reserve fund within one (1) year of the date of such initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Association, delay the restoration until the time which the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expending funds to the reserve account, and shall, if necessary, ask the membership to approve a special assessment to recover the full amount of the expended funds within the time limits required by this Article.

- (h) **No Reimbursement.** All contributions to reserves inure to the benefit of the Association and not to the benefit of any Member. As such, contributions to reserves are not refundable to individual Members when such Members cease to be Members of the Association.

10.7 Delinquencies. Any assessment made in accordance with the Declarations shall be the separate debt of each Member against whom the same is assessed. Unless otherwise provided, all unpaid assessments shall be deemed delinquent thirty (30) days after they are due.

- (a) **Late Charge.** Delinquent assessments shall be assessed a late charge of ten percent (10%) or Ten Dollars (\$10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent payment and shall not eliminate or supersede any charges imposed on prior delinquent payments.
- (b) **Interest.** Delinquent assessments (including any late charge) shall bear interest at the rate of twelve percent (12%) per annum or the maximum rate allowable under Civil Code §1366. Interest shall commence thirty (30) days after the Assessment becomes due.
- (c) **Collection/Attorney's Fees.** The amount of any attorney's fees and costs incurred by the Association in collecting any delinquent assessments shall be added to and be deemed a part of the assessment. Such attorneys fees and costs are payable by the owner regardless of whether a lien is recorded or formal legal action is taken.

10.8 Liability for Assessments. Each Member shall be personally liable for any and all assessments provided for by the Declarations together with any accompanying late charges, interest, costs (including reasonable attorneys' fees) and penalties as may be authorized under the Declarations or these Bylaws. In a voluntary conveyance of a Building Site by a Member, the grantee shall be jointly and severally liable with the grantor for all unpaid Assessments, late charges, interest, costs and penalties up to the time of the grant or conveyance without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore.

10.9 No Offsets. All assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including without limitation, (i) a claim that the Association is not properly exercising its duties and powers as provided in the Governing Documents; (ii) a Member has made or elects to make no use of the Common Area; (iii) any construction or maintenance for which the Association is responsible has not been performed; or (iv) any construction or maintenance for which the Association is responsible has not been performed to a Member's satisfaction.

10.10 Waiver of Use. No Member may exempt himself from liability for Assessments duly made and levied by the Association, nor release the Building Site owned by him from the liens and charges thereof, by waiver of the use and enjoyment of the Common Area and the facilities thereon or by abandonment of his Building Site.

10.11 Waiver of Homestead. With respect to liens created pursuant to this Article, each Member waives to the fullest extent permitted by law the benefit of any homestead or exemption or redemption laws of the State of California. Each Member shall be stopped to raise homestead or any other exemption or redemption in any action or proceeding to enforce or foreclose such liens.

ARTICLE 11 **INSURANCE**

11.1 Authority to Purchase. All insurance provided for in this Article or otherwise deemed prudent by the Association shall be purchased, obtained, carried and maintained by the Association and the premiums shall be paid out of the Annual Assessments. The Association shall be deemed for the purpose of this Article to be the agent, coupled with an interest, of all the Members.

11.2 Casualty. The Association shall maintain a master or blanket policy naming as insured's the Association, its Board, officers, and committee members, and the employees of the Association and shall include the following:

- (a) ***Special Form.*** Loss or damage by fire or other risks covered by the standard "Special Form" endorsement excluding, in the Board's discretion, earthquake and flood;
- (b) ***Special Endorsements.*** Replacement cost endorsements and such other or special endorsements as will insure, for the current replacement cost of the Common Area and all personal property of the Association;
- (c) ***Theft, Vandalism.*** Loss or damage as a result of theft, vandalism, or malicious mischief; and
- (d) ***Other.*** Such other risks, perils or coverage as the Association may determine.

11.3 Public Liability and Property Damage. The Association shall maintain one or more comprehensive public liability and property damage policies naming as insureds the Association, its Board (and each member thereof), its Officers (and each of them), the Manager, his staff, all employees of the Association and the Association as trustee for all of the Members. The policy or the endorsements made a part thereof shall provide immediate protection with minimum liability limits of \$5,000,000.00 for injury or death to one or more persons in any one accident or occurrence and \$5,000,000.00 for property damage.

11.4 Directors and Officers. The Association shall purchase directors and officers errors and omission insurance with minimum policy limits of at least \$5,000,000.00.

11.5 Worker's Compensation. The Association shall purchase, obtain, carry and maintain worker's compensation and employer's liability insurance to the extent necessary to comply with applicable laws.

11.6 Choice of Contractor. With respect to any repairs for which proceeds of insurance are paid or are payable to the Association, the Board of Directors alone shall designate

the contractor to perform said repairs, provided that nothing herein contained shall be construed to prohibit the individual Members from overseeing repairs done to their respective Units.

11.7 Choice of Insurance Company. All policies of insurance obtained by the Association or its Board of Directors as provided in this Article shall be obtained from an insurance company qualified to do and doing business in the State of California and holding a rating of "A" (or such other comparable rating if Best uses a different standard in rating insurance companies) or better in Best's Insurance Reports and may be obtained from one or more companies.

11.8 Collecting Insurance Proceeds. All costs and expenses incurred by the Association to collect or recover the proceeds of any insurance policy purchased by the Association as provided in this Article (including but not limited to any and all fees of attorneys, appraisers and adjusters) shall be part of the Common Expenses.

11.9 Fidelity Insurance. The Association shall maintain fidelity coverage against dishonest acts on the part of officers, directors, employees, volunteers, and managing agents who handle or are responsible for handling the funds of the Association. Such Fidelity coverage shall name the Association as obligee and shall be written in an amount equal to at least Two Hundred Fifty Thousand Dollars (\$250,000), and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

11.10 Member Insurance. Members, and not the Association, shall have the duty to insure their separate interests.

ARTICLE 12

INSPECTION OF RECORDS

12.1 Retention of Records. The Association shall cause to be kept a membership register setting forth all names and mailing addresses of the Owners, minutes of the meetings of the Board and the membership, minutes of all committees with decision-making authority, and financial books and records. All such documentation shall be retained for at least the period of time required by law, provided, however, the only documentation which shall be made available for inspection and copying by the Owners shall be that documentation which is prepared during the current fiscal year and the previous two fiscal years as provided in Section 1365.2(i) (1) of the Civil Code. Notwithstanding the foregoing, minutes of meetings of the Board and the Members and of committees with decision-making authority shall be permanently made available for inspection and copying to the extent they are permitted to be inspected under this Article 12 or under Section 1365.2 of the Civil Code.

12.2 Inspection of Records. Owners shall have the right to inspect and copy, as provided in this Article, all "Association records" and "Enhanced Association records" as those terms are defined in Section 1365.2(a)(1) and (2) of the Civil Code.

12.3 Limitations. Other than as provided in Section 12.2 above and in Section 1365.2 of the Civil Code, all other documentation in the possession of the Association shall be deemed private and confidential and shall not be available for inspection and copying by the Owners. Without limiting the foregoing, ballots, proxies, records that relate to membership discipline,

minutes of executive session meetings of the Board, individual Owner files (except the Member's own file), and documentation protected by the attorney-client privilege, shall not be open to inspection or copying. Furthermore, the Association may withhold inspection or redact information as provided in Section 1365.2(d) of the Civil Code.

12.4 Timing and Procedure for Inspection. Documentation open for inspection and copying under this Article 12 shall be made available to the Owner at the Association's business office within 10 business days following the Association's receipt of the written request, if the documentation was prepared during the then-current fiscal year. Records prepared during the previous two fiscal years shall be made available for inspection within 30 calendar days following the Association's receipt of the written request. Minutes of Member and Board meetings shall be made available within the time period specified in Section 1363.05(d) of the Civil Code, and minutes of meetings of committees with decision-making authority shall be made available within 15 calendar days following the decision. The Owner requesting the documentation may designate another person to inspect the records on the Member's behalf provided that this designation must be made in writing. The Association may bill the requesting Member for the costs specified in Section 1365.2(c) (4) and (5) of the Civil Code. The Association shall inform the Member of the estimated costs and the Member shall pay those costs before reviewing the requested documents.

12.5 Procedure for Copying. The same procedures and time periods set forth above in Section 12.4 for the inspection of records shall also apply to the copying of records.

12.6 Director's Right to Inspect. Except as otherwise provided by law or elsewhere in these Bylaws, every director shall have the right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association, provided, however, no director may inspect ballots and proxies which have been cast by the Owners unless that director has been appointed by the Board as an inspector of election or designated by the Board as the person to count the votes. The right of inspection by a director includes the right to make extracts and copies of documents.

12.7 Prospective Purchaser's Right to Inspect. The Association shall, upon the written request of any Member, make available for inspection during normal business hours to any prospective purchaser of the Member's Lot, or his agent, current copies of the Governing Documents and the most recent audited Financial Statement for the Association.

ARTICLE 13

ENFORCEMENT & DISPUTES

13.1 Suspension of Rights and Imposition of Fines. In order to preserve the property values and maintain the character of this community, all Residents must comply with the provisions of the Governing Documents. For those who fail to comply, membership rights and privileges may be suspended, monetary fines may be imposed, and the Board may impose any other sanctions that would be legal under the laws of the State of California. In the event of a violation of the Architectural Standards, in addition to the foregoing, (i) any existing approvals given by the Architectural Committee may, at the Board's discretion, be deemed rescinded, and (ii) the Board may require the property to be returned to its prior compliant status, and (iii) the Board may require the violation to be corrected to the reasonable satisfaction of the Architectural Committee before any further work is permitted and any further approvals are given. Examples

of the privileges that may be suspended include, but are not limited to, the right to vote, the right to use any of the Community Facilities, the right to apply for or receive Architectural Committee approval for any improvement made on a Building Site (except for such approval which is needed to correct an architectural violation), the right to priority access through the resident's entry lane at the gate houses, the right of resident's guests to expedited access through the guest lane using a guest bar code decal, and the right to receive all non-essential services from the Association. Except as provided in Article 2.4(e) above, any sanctions imposed under this Article shall apply for all Building Sites owned by the Member even if the violation exists only as to one Building Site. No such suspension or fine shall be imposed until the Board has held a hearing, upon a minimum of thirteen (13) days' written notice to the Member, and the Member has been provide with an opportunity for a hearing before the Board. Notwithstanding the above, the suspension of rights shall be automatic in the event any assessments are more than 30 days delinquent. In the event any rights are suspended under this Article, the suspension shall also apply to the Member's entire family and to his tenants, invitees and guests.

13.2 Assessments If permitted under California law, any fine which is imposed shall be deemed an assessment and shall, if it remains unpaid for thirty (30) days, become a lien against the Building Site and may be enforced as provided for in these Bylaws and in the Declarations, or as permitted under California law.

13.3 Enforcement of Violations. Should any Member fail to pay a fine, correct a violation, or otherwise fail to comply with the disciplinary action of the Board, the Association may pursue the enforcement pursuant to the Governing Documents. Nothing herein shall preclude the Association from taking immediate action, without delay, to apply for a temporary restraining order, preliminary injunction, receiver, or other interim relief the Board decides in its discretion is necessary and appropriate to do so.

13.4 Tenants and Guests. Each Member shall be liable to the Association for the negligent and/or intentional acts and omissions of his Family, Residents, Tenants, Guests, domestic help, contractors, vendors and agents.

ARTICLE 14 **MISCELLANEOUS**

14.1 Fiscal Year. The fiscal year of the Association shall be as mandated by the Declaration.

14.2 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed by two signators who have been so authorized by the Board of Directors. The signators must consist of two officers or one officer and the Association Manager. The President and the Treasurer shall be the two signators unless one is unavailable, in which case another designated officer or the Manager may be the co-signer.

14.3 Record Date. The Board may fix a time, in the future, not exceeding fifteen (15) days preceding the date of any annual or special meeting of the Members, as a record date for the determination of the Members entitled to notice and to vote in person or by ballot at any such meeting, and in such case only Members of record on the date so fixed shall be entitled to

notice of and to vote at such meeting, notwithstanding any transfer of any membership on the books of the Association after any record date so fixed.

14.4 Attorney's Fees and Costs. In any court action, arbitration or other legal proceeding arising from the Governing Documents, including but not limited to proceedings to enforce or interpret any of those documents, the prevailing party shall recover its reasonable attorney's fees and costs.

14.5 Singular Includes Plural. Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include both feminine and the neuter.

14.6 Internal Dispute Resolution. Prior to the filing of any action or serving any formal ADR notice, the Association and its members are encouraged to first attempt to resolve the conflict internally. In the event a dispute arises between the Association and a Member, the Member may be provided with an opportunity to meet and confer with the Board in an effort to resolve the dispute internally in accordance with the following provisions:

- (a) A Member or the Association may request the other party to a dispute to meet and confer in an effort to resolve the dispute. The request shall be in writing.
- (b) A Member may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.
- (c) The Board of Directors may designate a member of the Board to meet and confer. The parties may not be represented by legal counsel in these proceedings.
- (d) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.
- (e) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association. Said resolution is binding and judicially enforceable.

14.7 Alternative Dispute Resolution. Any dispute not resolved internally which arises from (i) the Governing Documents, (ii) any occurrence or activity within Hidden Hills, (iii) any alleged error or omission of the Association, or (iv) the management or operation of the community of Hidden Hills shall be submitted for resolution to a retired Judge of the Superior Court ("Arbitrator"), who shall hear the case without a jury and whose decision shall be final and binding. The Arbitrator shall be selected by the parties from any list of retired judges maintained for that purpose by the Superior Court and, if the parties cannot agree, the Court shall appoint a judge to hear the trial and all pre-trial proceedings upon the petition of any party. There shall be no formal discovery except as agreed upon by the parties to the proceedings. The trial shall be commenced in all cases, if possible, within six (6) months from the date the matter has been submitted to the retired Judge.

- (a) ***Arbitrator's Fees.*** Each party shall post, in advance, one half (1/2) of the Arbitrator's fees and costs required to try the dispute.

- (b) **Attorneys Fees.** In any such proceeding or in any court action, the prevailing party shall be awarded its reasonable attorneys' fees and court costs.
- (c) **Other Legal Remedies.** Violation of any of the provisions of the Governing Documents may be enjoined, abated, restrained or otherwise remedied by appropriate legal or equitable proceedings as described above. Notwithstanding the foregoing, if it is necessary to obtain a temporary restraining order and/or preliminary injunction such relief may be granted by the Superior Court rather than by a retired judge; provided, however, that after the issue of the restraining order/preliminary injunction is decided, the balance of the dispute shall thereafter be submitted to the retired judge for final determination. Each remedy provided for in this Declaration shall be cumulative and not exclusive. Failure to exercise any remedy shall not, under any circumstances, be construed as a waiver of that remedy.
- (d) **Small Claims.** Claims under \$5,000 shall also be submitted to a retired judge for determination as provided for above. Notwithstanding anything contained in this Article to the contrary, claims brought by the Association to collect assessments and/or fines may, at the discretion of the Board, be tried in small claims court.

14.8 Disputes Involving Assessment Collection. If a Member disputes any of the Association's assessments or related charges, he or she has the right to have the dispute resolved by a Court of appropriate jurisdiction or through Alternative Dispute Resolution ("ADR") as provided for in Civil Code § 1366.3. However, the right to ADR exists only if the Member:

- i. *Pays in Full.* Pays in full all monies owed, including late charges, interest and collection costs plus attorney's fees; and
- ii. *Pays Under Protest.* Indicates in writing that such payment is made under protest; and
- iii. *Pays Within Thirty Days.* Makes the payment within thirty (30) days from the recording of the Notice of Delinquent Assessment.

Once the Member has complied with the above, the Member may enter into the form of ADR requested by Member (e.g., arbitration or mediation). If the Member prevails in ADR, the Member may receive reasonable interest on the amount paid under protest. Members' rights to use ADR for disputed assessments is limited to twice in a single calendar year, or three times within five (5) calendar years.

14.9 Conflicts. In the case of any conflict, the Declarations shall prevail over the Bylaws, the Bylaws shall prevail over the Articles, the Articles shall prevail over the Architectural Standards, and the Architectural Standards shall prevail over the Rules and Regulations.

14.10 Amendments. These Bylaws may be modified, amended or repealed, and new Bylaws may be adopted, in any manner provided by Section 5150 of the Corporations Code including the vote of a majority of the Board. Notwithstanding the foregoing, if the action would

materially and adversely affect the rights of the Members as to voting or transfer of title, or if required by law, a vote of a majority of a quorum of the Members is required.

WE HEREBY CERTIFY this _____ day of November _____, 2005, that the foregoing Bylaws have been duly approved and adopted by the Hidden Hills Community Association.

President: _____ Secretary: _____