

**BYLAWS  
OF  
SANTA YSABEL RANCH HOMEOWNERS ASSOCIATION  
A California Nonprofit Mutual Benefit Corporation**

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**BYLAWS  
OF  
SANTA YSABEL RANCH HOMEOWNERS ASSOCIATION  
A California Nonprofit Mutual Benefit Corporation**

**ARTICLE I  
NAME**

A. The name of the association is **SANTA YSABEL RANCH HOMEOWNERS ASSOCIATION**.

**ARTICLE II  
PRINCIPAL OFFICE**

A. The principal office of the Association is located at 4990 Wing Way Second Floor, Paso Robles, California 93446, or at such other place as may be designated by the Board.

**ARTICLE III  
DEFINITIONS**

A. Unless otherwise expressly provided for in this **ARTICLE III**, Subsection A, or dictated by grammatical correctness, any capitalized words and/or phrases, when used herein, shall have the specified meanings given to them in **ARTICLE II**, entitled, “**DEFINITIONS**,” of that certain Declaration of Covenants, Conditions and Restrictions for Parcel Map COAL 99-0229 Santa Ysabel Ranch, which was Recorded on \_\_\_\_\_, 200 \_\_\_\_, as Document No. \_\_\_\_\_, of the Official Records of San Luis Obispo County, California, said **ARTICLE II** by the above reference being incorporated herein and made a part hereof, as though fully set forth herein.

1. **Annual Membership Meeting(s)** – “Annual Membership Meeting(s)” shall mean and refer to any annual meetings of the Members of the Association.
2. **Board Meeting(s)** – “Board Meeting(s)” shall mean and refer to any regular or special meeting(s) of the Board of Directors.
3. **Directors Quorum** – “Directors Quorum” shall mean and refer to three (3) Directors.
4. **Membership Director(s)** – “Membership Director(s)” shall mean and refer to those Directors who represent all of the Members of the Association.
5. **Membership Meeting(s)** – “Membership Meeting(s)” shall mean and refer to any annual or special meeting of the Members of the Association.
6. **Membership Quorum** – “Membership Quorum” shall mean and refer to the presence at any Membership Meeting, in person or by proxy, of Members entitled to cast at least twenty-five percent (25%) of the total votes of all of the Members in accordance with the terms and provisions of Section 5.H. of the Bylaws, entitled, “**Membership Quorum Requirements.**”

7. **Special Elected Directors** – “Special Elected Directors” shall mean and refer to any of the Directors elected in accordance with the terms and provisions of Section 6.E. of the Bylaws, entitled, “**Special Elected Directors.**”
8. **Record Date** – “Record Date” shall mean and refer to any date that is set or fixed in advance by the Board in order to determine the Members who are entitled to a notice of any meeting, to vote on Association matters or entitled to exercise any rights in respect of any other lawful action of the Association.
9. **Special Membership Meeting(s)** – “Special Membership Meeting(s)” shall mean and refer to any meeting of the Members that has been called or noticed in accordance with the provisions of Section 5.C. of the Bylaws, entitled, “**Special Membership Meetings.**”

#### **ARTICLE IV MEMBERSHIP AND VOTING RIGHTS**

A. The Membership and voting rights provisions contained in **ARTICLE VI** of the Declaration, entitled, “**PROVISIONS DECLARING MEMBERSHIP AND VOTING RIGHTS,**” are incorporated herein and by this reference made a part hereof, as though fully set forth herein.

#### **ARTICLE V MEETINGS OF THE MEMBERS**

5.A. **Place of Annual or Special Membership Meetings.**

1. All Annual or Special Membership Meetings shall be held at a place within the Development as designated by the Board, provided that if there is not an available or appropriate place within the Development, the Board shall designate an Annual or Special Membership Meeting place as close as possible to the Development, but in no event outside the County unless unusual conditions exist. In the absence of any designation, the Annual or Special Membership Meetings shall be held at the principal office of the Association.

5.B. **Annual Membership Meetings.**

1. The first Annual Membership Meeting shall be held within forty-five (45) days after the closing of the sale of the Lot that represents the fifty-first (51<sup>st</sup>) percentile interest authorized for sale under the first (1<sup>st</sup>) Final Subdivision Public Report issued for the initial phase of the Development by the California Commissioner of Real Estate, provided that said first (1<sup>st</sup>) Final Subdivision Public Report authorizes the sale of fifty (50) subdivision interests or more in the Development, but in no case later than six (6) months after the closing and Recording of the sale of the first (1<sup>st</sup>) Lot. Thereafter, the Annual Membership Meeting shall be held each year on the Wednesday immediately preceding the anniversary date of the first (1<sup>st</sup>) Annual Membership Meeting, at eight o’clock a.m. (8:00 a.m.), or at such other date or time as may be fixed by the Board but in no event shall an Annual Membership Meeting be held less than once each calendar year. If the scheduled date of the Annual Membership Meeting falls on a legal holiday, the Annual Membership Meeting shall be held at the same time on the next business day.

5.C. **Special Membership Meetings.**

1. Special Membership Meetings may be called for any lawful purpose by the Board, the President or by a written request signed by Members representing at least five percent (5%) of the total voting power of the Association. A Special Membership Meeting called by any person, other than the Board, entitled to call a Special Membership Meeting shall be made by submitting a written request, specifying the general nature of the business to be transacted, to the President, any Vice President or Secretary of the Association. The officer receiving such a request shall promptly cause a notice to be given to the Members in the manner required by Section 5.D. of the Bylaws, entitled, “**Notice of Annual and Special Membership Meetings,**” that a Special Membership Meeting will be held at a date, time, and place fixed by the Board, which Special Membership Meeting shall be held not less than thirty-five (35) days nor more than ninety (90) days after receipt of such request. If the notice is not given within twenty (20) days after the receipt of such request, the person or persons requesting the Special Membership Meeting may give the notice.

5.D. **Notice of the Annual and Special Membership Meetings.**

1. Notice of all Annual or Special Membership Meetings shall be given not less than ten (10) nor more than ninety (90) days before the date of the Annual or Special Membership Meeting being so noticed, to each Member and to any current Eligible Mortgage Holder. Any current Eligible Mortgage Holder, or its, his, her or their designated representative, shall be entitled to attend any such Annual or Special Membership Meeting, but shall not be entitled to vote at an Annual or Special Membership Meeting. The notice shall be given either personally, by first-class registered, or certified mail addressed to the Member or current Eligible Mortgage Holder at the address of such Member or current Eligible Mortgage Holder that appears on the books of the Association, or that has been given by the Member or current Eligible Mortgage Holder to the Association for the purpose of receiving such notices. If no address appears for, or has been given by, any Member, notice may be given to any such Member at the Association’s principal office or by publication at least once in a newspaper of general circulation.

2. The notice shall state the place, date and time of the Annual or Special Membership Meeting, as the case may be. If Directors are to be elected at an Annual or Special Membership Meeting, the notice of any such meeting shall include the names of all those who are nominees and the category in which they have been nominated at the time notice is given. In the case of a Special Membership Meeting, the notice shall state the general nature of the business to be transacted at such Special Membership Meeting and no other business may be transacted at said meeting. In the case of an Annual Membership Meeting, the notice shall state those matters that the Board intends, at the time the notice is given, to present to the Members for action at such meeting; however, any proper matter may be presented for action at an Annual Membership Meeting subject to the special notice requirements described in Section 5.E. of the Bylaws, entitled, “**Special Notice Requirements.**” Notwithstanding the foregoing, the Members may vote only on those matters for which a notice has been given at any Annual Membership Meeting where the Membership Quorum requirement as described in Section 5.H. of the Bylaws, entitled, “**Membership Quorum Requirements,**” is less than one-third (1/3) of the total voting power of the Association and the Members holding less than one-third (1/3) of such voting power actually attended, even though the Members in attendance constitute a Membership

Quorum.

5.E. **Special Notice Requirements.**

1. Approval by the appropriate Members of any of the following proposals, other than by unanimous approval of those Members entitled to vote on such proposals, shall not be valid unless the general nature of any proposal was stated in the notice of the Annual or Special Membership Meeting, as the case may be, at which such approval was given or in any written waiver of the notice of said Annual or Special Membership Meeting:

- a. Removing a Director without cause;
- b. Filling vacancies on the Board;
- c. Amending the Articles;
- d. Approving a contract or transaction between the Association and one (1) or more Directors, or between the Association and any entity in which a Director has a material financial interest;
- e. Electing to wind up and dissolve the Association; or
- f. Approving a plan of distribution of assets, other than money, which is not in accordance with the liquidation rights of any class of Members. This requirement is applicable only if the Association is in the process of winding up and there is more than one (1) class of Membership in the Association that is outstanding at the time any such plan was approved.

5.F. **Exemptions from the Notice Requirements of an Annual or Special Membership Meeting.**

1. The transactions at any Annual or Special Membership Meeting, however called or noticed and wherever held, shall be valid if:

- a. A Membership Quorum was present at any such Annual or Special Membership Meeting either in person or by proxy; and
- b. Either before or after such Annual or Special Membership Meeting, each Member entitled to vote, who was not present in person or by proxy, has signed a written waiver of notice, a consent to the holding of such Annual or Special Membership Meeting, or an approval of the minutes of such Annual or Special Membership Meeting. Such a waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any such Annual or Special Membership Meeting, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 5.E. of the Bylaws, entitled, “**Special Notice Requirements,**” the waiver of notice, consent or approval shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of such Annual or Special Membership Meeting.

2. Attendance of a Member at any Annual or Special Membership Meeting shall also constitute a waiver of notice of such Annual or Special Membership Meeting, unless the Member objects at the beginning of such Annual or Special Membership Meeting to the transaction of any business for the reason that such Annual or Special Membership Meeting was not lawfully called, noticed, or convened. Also, attendance at any Annual or Special

Membership Meeting is not a waiver of any right to object to the consideration of any matters that are required to be included in the notice of such Annual or Special Membership Meeting but were not so included, if that objection is expressly made at such Annual or Special Membership Meeting.

5.G. **Proof of Membership and Record Date.**

1. No person shall exercise the rights of Membership in the Association until satisfactory proof of such person's Membership has been furnished to the Association. Such proof may consist of either a duly-executed and acknowledged grant deed to a Lot, or a title insurance policy showing that the person has an ownership interest in a Lot that would entitle the person to Membership in the Association as provided in Section 6.1 of the Declaration, entitled, "**MEMBERSHIP APPURTENANT TO OWNERSHIP.**" Such deed or policy shall be deemed conclusive proof of the persons Membership in the absence of a conflicting claim based on a later deed or policy.

2. For the purpose of determining the Members who are entitled to a notice of any Annual or Special Membership Meeting who are entitled to vote, or to exercise any other rights in respect to any lawful action taken at such Annual and/or Special Membership Meeting, the Board may fix, in advance, a Record Date as follows:

- a. The Record Date for a notice of an Annual or Special Membership Meeting shall not be more than ninety (90) nor less than ten (10) days before the date of any such Annual or Special Membership Meeting;
- b. The Record Date for voting at any Annual or Special Membership Meeting shall not be more than sixty (60) days before the date of an Annual or Special Membership Meeting at which any such vote is to be cast, or before the date on which the first (1<sup>st</sup>) request for a Member's written consent is mailed or solicited, whichever is applicable; and
- c. If the Board fixes no Record Date, the Record Date shall be determined in accordance with California Corporations Code section 7611, or any compatible superseding statutes. A person holding a Membership as of the close of business on the Record Date shall be a Member of record.

5.H. **Membership Quorum Requirements.**

1. Except as provided for in Subsection 5.H.2., below, the presence at any Annual or Special Membership Meeting, in person or by proxy, of Members entitled to cast at least twenty-five percent (25%) of the total votes of all of the Members shall constitute a Membership Quorum. Any Annual or Special Membership Meeting, whether or not a Membership Quorum is present, may be adjourned from time to time for any reason by a vote of the Members representing a majority of the voting power of the Members present at such Annual or Special Membership Meeting, either in person or by proxy, to another time not less than five (5) days nor more than thirty (30) days from the date of the original Annual or Special Membership Meeting. If the time and place of the adjourned Annual or Special Membership Meeting is announced prior to the adjournment of the original Annual or Special Membership Meeting, no notice of the adjourned Annual or Special Membership Meeting is required, provided that if a new date is fixed for the adjourned Annual or Special Membership Meeting after the adjournment of the original Annual or Special Membership Meeting, notice of the date, time and

place of the adjourned Annual or Special Membership Meeting shall be given to the Members in the manner prescribed in Section 5.D. of the Bylaws, entitled, “**Notice of the Annual and Special Membership Meetings.**” Any business that might have been transacted at the original Annual or Special Membership Meeting may be transacted at the adjourned Annual or Special Membership Meeting. In the absence of a Membership Quorum, no business may be transacted at such Annual or Special Membership Meeting other than to adjourn the Annual or Special Membership Meeting to another time. If an Annual or Special Membership Meeting is adjourned because a Membership Quorum is not present, the Membership Quorum requirement at the adjourned Annual or Special Membership Meeting shall be twenty-five percent (25%) of the total voting power of all the Members.

2. The following Special Membership Quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by a written consent:
  - a. The Membership Quorum requirement for a valid action by the votes or written consents of the Members on any of those items listed in Section 5.16 of the Declaration, entitled, “**LIMITATIONS ON THE AUTHORITY OF THE BOARD OR THE ASSOCIATION,**” shall be fifty-one percent (51%) of the voting power of the Association that resides in Members other than the Declarant.
  - b. The Membership Quorum requirement for a valid action by the votes or written consents of the Members to the acquisition of, or the cancellation of, whichever is applicable, an earthquake endorsement to an Association maintained insurance policy shall be fifty-one percent (51%) of the voting power of the Association that resides in Members other than the Declarant.
  - c. The Membership Quorum requirement for a valid action by the votes or written consents of the Members to increase the Regular Assessment for any Fiscal Year to more than one hundred and twenty percent (120%) of the Regular Assessment for the prior Fiscal Year shall be fifty-one percent (51%) of the voting power of the Association that resides in Members other than the Declarant.
  - d. The Membership Quorum requirement for a valid action by the votes or written consents of the Members of the sale of all or any portion of the Common Area under the threat of condemnation shall be fifty-one percent (51%) of the voting power of the Association that resides in Members other than the Declarant.
  - e. The Membership Quorum requirement for a valid action by the votes or written consents of the Members to an increase or decrease, as the case may be, in the number of authorized members of the Architectural Committee shall be fifty-one percent (51%) of the voting power of the Association that resides in Members other than the Declarant.
  - f. The Membership Quorum requirement for a valid action by the votes or written consents of the Members to amend the Declaration shall be fifty-one percent (51%) of the voting power of the Association that resides in Members other than the Declarant.

3. The Members present at a duly called or held Annual or Special Membership Meeting at which a Membership Quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a Membership Quorum, if any action taken at such annual or special Membership Meeting subject to the provisions of Subsection 5.D.2., above, other than adjournment, is approved by at least a majority of the Members, either in person or by proxy, which are required to constitute a Membership Quorum.

5.I. **Proxy.**

1. Each person entitled to vote shall have the right to do so either in person or by one (1) or more agents who have been so authorized by such person's written and signed proxy, and said proxy or proxies, as the case may be, has/have been filed with the Secretary of the Association. A proxy shall be deemed signed if the Member's name is placed on the proxy, whether by manual signature, typewritten, telegraphic transmission, or otherwise, by a Member or the Member's attorney-in-fact. Any form of a proxy used by a Member shall afford the opportunity to specify a choice between approval and disapproval of each matter, or a group of matters, to be acted on by the agent holding such proxy. Such proxy shall provide that any vote cast in behalf of such proxy shall be cast in accordance with the choice that is noted thereon. Any proxy shall identify the person who is authorized to exercise the proxy and the length of time it will be valid.

2. A validly executed proxy shall continue in full force and effect until:
  - a. Written notice is received by the Association of the death or incapacity of the Member executing the proxy; or
  - b. The Member executing the proxy revokes it before a vote is cast in behalf of such proxy by:
    - (i) Delivering a written revocation to the Association;
    - (ii) Executing a subsequent dated proxy that is presented to the Annual or Special Membership Meeting at which a vote is cast on the Member's behalf; or
    - (iii) Attending and voting in person at any Annual or Special Membership Meeting.

3. Unless the proxy indicates otherwise, it shall not be valid after eleven (11) months from the date of its execution and in no event shall any proxy be valid after three (3) years from the date of its execution. Notwithstanding any of the foregoing, all proxies shall be revocable and shall automatically terminate when the Member's Membership in the Association terminates as provided for in the provisions of Section 6.1 of the Declaration, entitled, "**MEMBERSHIP APPURTENANT TO OWNERSHIP.**" The suspension of any Member's voting rights by the Association shall automatically suspend any proxy executed by that Member.

4. No proxy that pertains to the following proposals shall be valid unless the general nature of the matter to be voted on was set forth in the proxy:
- a. Removing a Director without cause;
  - b. Filling vacancies on the Board;
  - c. Amending the Articles;

- d. The sale, lease, conveyance, exchange, transfer, or other disposal of all, or substantially all, of the Association's assets, or the approval of the principal terms of a merger, or the amendment of the principal terms of a merger;
- e. Approving a contract or transaction between the Association and one (1) or more Directors, or between the Association and any entity in which a Director has a material financial interest;
- f. Electing to wind up and dissolve the Association; or
- g. Approving a plan of distribution of the Association's assets, other than money, which is not in accordance with the liquidation rights of any class of Members. This Subsection 5.I.4.g. will only be applicable if the Association is in the process of winding up and there is more than one (1) class of Membership outstanding at the time.

5.J. **Order of Business.**

1. The order of business of all Annual and Special Membership Meetings shall be as follows:

- a. Determination of a quorum;
- b. Proof of notice of the Annual or Special Membership Meeting having been appropriately given, or in the absence of such notice, confirmation of compliance with the provisions of Section 5.F. of the Bylaws, entitled, **“Exemptions from the Notice Requirements of an Annual or Special Membership Meeting;”**
- c. Approval of the minutes of any preceding Annual or Special Membership Meeting;
- d. Reports of the Board and the officers;
- e. Election of Directors, if any is to be elected;
- f. Unfinished business; and
- g. New business.

5.K. **Parliamentary Procedure.**

1. All questions of parliamentary procedure shall be decided in accordance with “Robert’s Rules of Order.”

5.L. **Action by Unanimous Consent.**

1. Any action required or permitted to be taken by the Members may be taken without an Annual or Special Membership Meeting if all of the Members consent in writing to such action. The written consent shall have the same force and effect as the unanimous vote of the Members. Any such written consent shall be filed with the minutes of the proceedings of the Members.

5.M. **Action by Written Ballot Without an Annual or Special Membership Meeting.**

1. Any action that may be taken at any Annual or Special Membership Meeting, except for the election of Directors, may be taken by written ballot without an Annual or Special Membership Meeting if the following requirements are satisfied:

- a. The Association distributes a written ballot to each Member entitled to

vote on the matter. The ballot shall be given personally, or by first-class, registered, or certified mail addressed to the Member at the address of such Member which appears on the books of the Association or has been given by the Member to the Association for the purpose of such notice. The ballot shall provide a reasonable time within which it is to be returned.

- b. Each ballot shall state:
  - (i) The proposed action that is being voted on;
  - (ii) An opportunity to specify approval or disapproval of any such proposed action;
  - (iii) Confirmation that, if the Member specifies a choice, the vote shall be cast in accordance with that Member's choice;
  - (iv) The time by which the ballot must be received back from the Member by the Association in order to be counted;
  - (v) The number of ballots that need to be returned by the Members to the Association in order to meet the Membership Quorum requirement; and
  - (vi) The percentage of Members' approvals necessary to approve the proposed action.
- c. The proposed action shall be considered approved by written ballot if:
  - (i) Within the time period specified for the return of the ballots to the Association by those Members who are eligible to vote, the number of ballots actually received by the Association equals or exceeds the Membership Quorum requirement necessary to validate such action; and
  - (ii) The number of approvals on ballots actually received by the Association from Members eligible to vote, within the prescribed time frames, equals or exceeds the number of votes that would be required for approval at an Annual or Special Membership Meeting at which the total number of votes cast was the same as the number of votes cast by written ballot without an Annual or Special Membership Meeting.

- 2. Once a written ballot has been received by the Association it may not be revoked.

**ARTICLE VI**  
**ELECTION AND TERM OF OFFICE OF THE MEMBERS**  
**OF THE**  
**BOARD OF DIRECTORS**

**6.A. Number of Directors.**

1. The Board shall consist of five (5) Directors who need not be Members of the Association.

**6.B. Nomination of Director Candidates.**

1. Except for the initial Directors elected by the incorporators or the Members, as provided for in Section 6.C. of the Bylaws, entitled, "**Election of Directors**," nomination for

election to the Board shall be made by a nominating committee consisting of three (3) persons. A chairman, who shall be a Director, and two (2) other persons who may either be Members or for as long as it is appropriate, representatives of the Declarant. The Director member of a nominating committee shall be appointed by the Board to serve for a period of one (1) year and vacancies shall be filled by the Board. A nominating committee may make as many nominations as it desires, but not less than the number of positions to be filled.

2. Notwithstanding the foregoing, any Member present in person or by proxy at an Annual or Special Membership Meeting at which a Director or Directors is/are to be elected, may, prior to the commencement of the voting for Directors, place a name in nomination at any such Annual or Special Membership Meeting.

3. The Board shall adopt procedures that provide for a reasonable opportunity for the candidates to communicate their qualifications and reasons for their candidacy to the appropriate Members and to solicit their votes as well as for a reasonable opportunity for all of the Members, as is applicable, to choose among the candidates. Without authorization of the Board, no Association funds may be expended to support a nominee for Director if there are more nominees than can be selected.

6.C. **Election of Directors.**

1. The initial Directors shall be appointed by the incorporator of the Association or elected by the Members, whichever is appropriate, as soon as practical after the incorporation of the Association, and shall hold office until the first (1<sup>st</sup>) Annual Membership Meeting to occur following such an event, as specified in Section 5.B. of the Bylaws, entitled, “**Annual Membership Meetings.**” At the first (1<sup>st</sup>) Annual Membership Meeting, the appropriate Members shall elect Directors to fill all of the positions on the Board. Unless the office is vacated sooner as provided for in Section 6.F. of the Bylaws, entitled, “**Director Vacancies,**” each Director shall hold office until his or her term expires and a successor has been elected and qualified.

2. Subject to the provisions regarding Special Elected Directors in Section 6.E of the Bylaws, entitled, “**Special Elected Directors**,” the term of office of the three (3) Directors receiving the highest number of votes shall be for two (2) years, and the term for the remaining elected Directors shall be for one (1) year. Successor Directors shall be elected at the next Annual Membership Meeting corresponding with the expiration of the Director’s term.

3. The election of Directors shall be by secret written ballot.

4. Any Director may resign with such resignation becoming effective on the giving of a written notice to the President, the Secretary or any Director, unless the notice specifies a later time for the effectiveness of such resignation.

**6.D. Cumulative Voting.**

1. The election of Directors may be by cumulative voting as described herein, provided that an Owner has placed a Director candidate’s name in nomination prior to the voting and given notice at the meeting where the election of Directors is to take place, prior to such voting, of the Owner’s intention to cumulate votes.

2. If any Owner has given a notice of it, his, her or their intention to cumulate its, his, her or their vote, then all of the Owners shall have the right to cumulate their votes for candidates in nomination at the meeting where such notice was given.

3. Under cumulative voting, each Owner, either in person or by proxy, may give a single candidate the number of votes equal to the number of Directors to be elected at the meeting where the cumulative voting is to take place, multiplied by the number of votes the Owner is entitled to exercise under the Governing Documents, or the Owner may distribute these cumulated votes among any two (2) or more candidates as the Owner desires.

4. The candidates for Director receiving the highest number of votes up to the number of Directors to be elected, shall be elected.

5. Unless the entire Board is removed by a vote of the Owners, an individual Director may not be removed prior to the expiration of his or her term if the votes against removal would have been sufficient to elect that Director if cast cumulatively at an election in which the same total number of votes were cast and all Directors authorized at the time of the most recent election of that Director were being elected.

6. These cumulative voting provisions do not apply to the election of Special Elected Directors by Owners other than the Declarant as provided for in the provisions pertaining to same that are set forth in the Bylaws.

6.E. **Special Elected Directors.**

1. As long as the majority of the voting power resides in the Declarant, no less than one (1) of the Directors shall be elected by the Members other than the Declarant. If Members are unable to elect one (1) Director by the exercise of cumulative voting or otherwise, the number of positions necessary to meet such a requirement shall be filled by nominees who shall be elected by the Members other than the Declarant. Nominations for the Special Elected Directors may be made by any Member, other than Declarant, by submitting a written nomination, prior to the Annual or Special Membership Meeting at which such Director is to be elected, to the Secretary, or by placing a name in nomination at the Annual or Special Membership Meeting at which such Director is to be elected, prior to any vote for the election of such Director having been taken. A Special Elected Director may be removed from the Board prior to the expiration of his or her term only by the vote or written assent of the Members, other than the Declarant, who hold a majority of the voting rights. In the case of death, resignation or removal of a Special Elected Director, a successor shall be elected by the Members, other than the Declarant, to hold office for the un-expired term of his or her predecessor or until a successor has been elected and qualified, whichever is the first to occur. Except as otherwise provided for in this **ARTICLE VI**, the provisions of the Declaration, the Articles and/or the Bylaws, which are applicable to Directors, including, but not limited to, their election, removal, rights and duties, shall apply to Special Elected Directors.

6.F. **Director Vacancies.**

1. A vacancy or vacancies on the Board shall exist on the occurrence of any of the following:

- a. The death of any Director;
- b. The effective date of any Director's resignation;
- c. The removal of a Director by the vote of the Members, provided that, if applicable, the vote for removal satisfies the requirements contained in the cumulative voting and/or Special Elected Directors provision in Section 6.D., entitled, "**Cumulative Voting**," and Section 6.E., entitled, "**Special Elected Directors**," of the Bylaws;
- d. The declaration by resolution of the Board of a vacancy in the office of a Director who has been declared of unsound mind by the order of a court of competent jurisdiction or convicted of a felony;
- e. An increase in the authorized number of Directors; or
- f. The failure of the Members, at any Annual or Special Membership Meeting at which any Director or Directors is/are to be elected, to elect the number of Directors required to be elected at such Annual or Special Membership Meeting.

2. Any vacancy on the Board may be filled by a majority of the remaining Directors then in office, or by a sole remaining Director, except for a vacancy created by the removal of a Director by vote of the Members or a vacancy of a Special Elected Director position, which vacancy shall be filled by the Members. In addition, the Members may fill any vacancy not filled by the Directors. Any Director elected or appointed to fill a vacancy shall hold the directorship until the expiration of the term of his or her predecessor and until a successor has been elected and qualified.

6.G. **Compensation.**

1. A Director shall not receive any compensation for any services rendered to the Association as a Director; however, Directors may be reimbursed for actual out-of-pocket expenses incurred in the performance of his or her duties.

**ARTICLE VII  
MEETINGS OF THE DIRECTORS**

7.A. **Place of Board Meetings.**

1. If possible, Board Meetings shall be held within the Development at a place designated by the Board or described in the notice of the Board Meeting. In the absence of any designation or notice, meetings shall be held at the principal office of the Association.

7.B. **Regular Board Meetings.**

1. Regular Board Meetings shall be held quarterly at such time and place as may be fixed from time to time by a resolution of the Board, provided that, if the business to be transacted by the Board does not require quarterly Board Meetings, regular Board Meetings may be held less frequently but no less than one (1) regular Board Meeting semi-annually. If a regular Board Meeting falls on a legal holiday, such Board Meeting shall be held at the same time on the next business day. Notice of the time and place of any regular Board Meeting shall be posted at a prominent place or places within the Common Area. If the Common Area is unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such Board Meeting by any means it deems appropriate. Such notice shall be given to each Director not less than four (4) days prior to the Board Meeting; provided, however, that such notice need not be given to any Director who signs a waiver of such notice or a written consent to the holding of such Board Meeting.

2. The agenda for all of the Board Meetings shall include a specific time for Member's questions and comments to be heard, which questions and comments shall be subject to any reasonable time limitations that have been imposed by the Board.

3. The Board, on the affirmative vote of a majority of the Directors present at a Board Meeting at which a Directors Quorum is present, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss and take action on any of the following matters:

- a. Litigation in which the Association is or may become a party;
- b. Personnel matters;
- c. Contract negotiations; or
- d. Member disciplinary proceedings, when the Member being disciplined has requested the hearing be conducted in an executive session, in which case the requesting Member shall be entitled to attend such executive session.

4. A Board Meeting at which a Directors Quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken or decision made is approved by at least a majority of the required Directors Quorum for that Board

Meeting.

5. The nature of any and all business to be considered in an executive session shall first be announced in open session and any matter discussed in executive session shall be generally noted in the minutes of the Board, with special care being taken to not reveal sensitive material.

6. An emergency Board Meeting may be called by the President or by any two (2) members of the Board, other than the President, if there are circumstances that could not have been reasonably foreseen and require immediate attention together with possible action by the Board that of necessity make it impractical to provide notice as required by Section 7.I. of the Bylaws, entitled, “**Notice to Members of Any Board Meeting.**”

7.C. **Special Board Meetings.**

1. Special Board Meetings may be called by a written notice that has been signed by the President or by any two (2) Directors other than the President. Such notice shall specify the time and place of the noticed Board Meeting and the nature of any special business to be considered at such Board Meeting, shall be posted in the manner prescribed for a notice of a regular Board Meeting and shall be sent to all of the Directors not less than seventy-two (72) hours prior to the scheduled time of the Board Meeting, provided that notice need not be given to any Director who signs a waiver of notice of such Board Meeting or a written consent to the holding of such Board Meeting.

7.D. **Open Board Meetings.**

1. With the exception of executive sessions of the Board and any Board Meeting that may be conducted by conference telephone, all Board Meetings shall be open to the Members.

7.E. **Adjourned Board Meetings.**

1. A majority of the Directors present, whether or not a Directors Quorum is present, may adjourn any Board Meeting to another time and place. Notice of the time and place of the holding of an adjourned Board Meeting need not be given unless the original Board Meeting is adjourned for more than twenty-four (24) hours. If the original Board Meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given before the time of the adjourned Board Meeting to the Directors who were not present at the time of adjournment.

7.F. **Action Taken Without a Board Meeting.**

1. Any action that the Board, or any applicable portion thereof, is required or permitted to take may be taken without a Board Meeting if all Directors who are responsible for deliberating on and taking such action consent in writing to that action and a Directors Quorum is met. Any action by written consent shall have the same force and effect as any other validly approved action of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of any actions so approved shall be posted at a prominent place or places within the Common Area; however, if the Common Area, for whatever reasons, is unsuitable for the posting of such notice, the Board shall communicate such notice by any means it deems appropriate, within three (3) days after the written consents of all

of the appropriate Directors have been obtained.

**7.G. Waiver of Notice of a Board Meeting.**

1. Notice of a Board Meeting need not be given to any Director who, either before or after the Board Meeting, signs a waiver of such notice, a written consent to the holding of such Board Meeting, or an approval of the minutes of such Board Meeting. Any such waiver of notice or consent need not specify the purpose of the Board Meeting. All such waivers, consents and approvals shall be filed with the Association's records or made a part of the minutes of the appropriate Board Meetings. Notice of a Board Meeting need not be given to any Director who attends such Board Meeting and does not protest, before or at the commencement of such Board Meeting, the lack of notice of such Board Meeting to him or her.

**7.H. Minutes of a Board Meeting.**

1. The minutes that are proposed for adoption, which are marked to indicate draft status, or a summary of the minutes of any Board Meeting, other than an executive session, shall be made available to every Member within thirty (30) days of such Board Meeting. The minutes, proposed minutes or a summary of the minutes shall be distributed to any Member on its, his, her or their request and on reimbursement by such requesting Member to the Association of any costs incurred in making such a distribution. The Members shall be notified in writing at the time the pro forma budget required by the provisions of Section 5.13 of the Declaration, entitled, "**PREPARATION AND DISTRIBUTION OF FINANCIAL STATEMENTS, REPORTS AND COPIES OF THE GOVERNING DOCUMENTS,**" is distributed or at the time of any general mailing to the entire Membership of their right to have copies of the minutes of the Board Meetings, how and where those minutes may be obtained, and the cost of obtaining same.

2. If the Association consolidates any of its functions with another homeowners association under a joint neighborhood association, the Members will be entitled to attend all board of directors and/or members meetings of the joint association, other than executive sessions, and must be given reasonable opportunity to participate in the meetings as well as be given the same access to the joint records as they are entitled to in the provisions of the Governing Documents. It is the express intent that this Subsection 7.H.2. satisfy the requirements of California Civil Code section 1363(j). In the event said Civil Code section is amended or superseded by another, compatible provision of the California statutes, this Subsection 7.H.2. shall be deemed amended, without the necessity of further Owner approval, to correspond to the amended or successor code provision.

**7.I. Notice to Members of Any Board Meeting.**

1. Members shall be given notice of the time and place of any Board Meeting, except for an emergency meeting, at least four (4) days before the Board Meeting. Such a notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot in the Development, or by a newsletter or similar means of communication. For purposes of the notice requirements, a Board Meeting includes any congregation of a majority of the Members of the Board at the same time and place to hear, discuss, or deliberate on any item of business that is scheduled to be heard by the Board, except those matters that may be discussed in executive session.

**ARTICLE VIII  
POWERS AND DUTIES OF THE BOARD**

**8.A. Powers of the Board.**

1. Subject to any requirements to obtain the approval of the Members before certain actions may be taken, the Board shall have all of the powers conferred on the Association as set forth in the provisions of the Declaration and the Bylaws. In addition, the Board shall appoint and remove, at its pleasure, all officers, agents, and employees of the Association and shall prescribe powers and duties for them that are consistent with the Declaration, the Articles, the Bylaws, the Association and Architectural Rules as well as any applicable laws.

**8.B. Duties of the Board.**

1. The Board shall be responsible for the performance of the duties of the Association as set forth in the provisions of the Declaration and shall supervise all of the officers, agents and employees of the Association in a manner that will assure the proper performance of their assigned duties.

**8.C. Directors Standard of Care.**

1. Each Director shall perform his or her duties as a Director, including any duties that are required of them as a member of any committee of the Board on which the Director serves, in good faith and in a manner such Director believes to be in the best interest of the Association together with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

**8.D. Committees of the Board.**

1. Subject to the provisions of **ARTICLE XIV** of the Declaration, entitled, “**ARCHITECTURAL CONTROL**,” and Section 5.7 of the Declaration, entitled, “**RIGHT OF THE BOARD TO DELEGATE ITS POWERS AND DUTIES**,” the Board, by a resolution which has been adopted by a majority of the appropriate Directors then in office, provided a Directors Quorum is present, may create one (1) or more committees, each consisting of two (2) or more Directors and no persons who are not Directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by a majority vote of the appropriate Directors then in office. The Board may appoint one (1) or more Directors as alternate members of any such committee, who may replace any absent member of such committee at any committee meeting. Any such committee, to the extent provided for in the resolution of the Board that formed such committee, shall have all of the authority of the Board except that no committee, regardless of any Board resolution to the contrary, may:

- a. Take any final action on any matter, which under the Declaration or the California Non-Profit Mutual Benefit Corporation Law, also requires approval of any portion of the Members;
- b. Fill vacancies on the Board, or on any committee of the Board, which has the authority of the Board;
- c. Amend or repeal the Bylaws or adopt new Bylaws;
- d. Amend or repeal any resolution of the Board which by its express terms is

- not so amendable or repealable;
- e. Appoint any other committees of the Board or the members of those committees; or
- f. Expend corporate funds to support a nominee for Director after there are more nominees than can be elected.

2. Meetings and actions of the committees of the Board shall be governed by, held and taken in accordance with, the provisions of the Bylaws concerning committee meetings and other actions of the Board, except that the time for a regular meeting of any such committee and the calling of a special meetings of any such committee may be determined either by a resolution of the Board, or, in the absence of a Board resolution, by a resolution of such committee. Minutes of each meeting of any committee of the Board shall be kept and filed with the Association's records. The Board may adopt rules for the governing of any committee which are not inconsistent with the provisions of the Governing Documents, or in the absence of any such rules that have been adopted by the Board, the committee may adopt such rules.

8.E. **Financial Review Requirements of the Board.**

1. The Board shall review on at least a quarterly basis the current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared with the current year's budget and an income and expense statement from the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.

## **ARTICLE IX OFFICERS AND THEIR DUTIES**

9.A. **Officers of the Association.**

1. The officers of the Association shall be a President, a Secretary and a Chief Financial Officer. The Association may also have, at the discretion of the Board, one (1) or more Vice Presidents, one (1) or more Assistant Secretaries and one (1) or more Assistant Treasurers, as well as such other officers as may be appointed in accordance with the provisions of Section 9.C. of the Bylaws, entitled, "**Other Officers of the Association.**" The same person may hold any number of offices.

9.B. **Election of Officers of the Association.**

1. The officers of the Association, except those appointed under Section 9.C. of the Bylaws, entitled, “**Other Officers of the Association,**” shall be chosen annually by the Board and shall serve at the pleasure of the Board. The Board shall appoint one (1) of its Directors as President and one (1) as the Chief Financial Officer; otherwise, the officers need not be Directors.

9.C. **Other Officers of the Association.**

1. The Board may authorize the President, or any other officer, to appoint any additional officers that the Association may require. Each such officer so appointed shall have the title, hold office for the period of time, and have the authority to perform the duties specified in the Bylaws or as determined from time to time by the Board.

9.D. **Removal or Resignation of an Officer of the Association.**

1. Any officer may be removed with or without cause by the Board and, if such officer was not chosen by the Board, by any officer on whom the Board may have conferred the power to remove such officer. Any officer of the Association may resign at any time by giving written notice to the Board. Any such resignation shall take effect as of the date the notice is received by the Board or at any later time, which has been specified in such notice and, unless otherwise specified in such notice, the acceptance of the resignation by the Board shall not be necessary to make it effective.

9.E. **Vacancies in an Association Office.**

1. A vacancy in any Association office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the provisions of the Bylaws for the regular appointments to such office; provided, however, that vacancies need not be filled on an annual basis.

9.F. **Duties.**

1. The duties of the officers of the Association shall be as follows:
  - a. **President:** The President shall be the general manager and chief executive officer of the Association and generally supervise, direct and control the Association’s daily activities, affairs and other officers. The President shall preside at all of the Annual or Special Membership Meetings as well as any Board Meetings. The President shall have such other powers and duties as may be prescribed by the Governing Documents, or from time to time, by the Board.
  - b. **Vice President:** In the absence of or the disability of the President, the Vice President, should the Association have one, shall perform all of the duties of the President. When so acting, a Vice President shall have all of the powers of and be subject to all of the restrictions on the President. The Vice President shall have such other powers and perform such other duties as prescribed by the Governing Documents or, from time to time, by the Board.
  - c. **Secretary:** The Secretary shall keep or cause to be kept, at the Association’s principal office, the following:

- (i) A book of the minutes of all of the meetings, proceedings and actions of the Board, of any committee of the Board or of the Members. The minutes of meetings shall include, but not be limited to, the time and place of the holding of any such meeting, whether the meeting was annual, regular or special and, if special, how it was authorized, the notice given, the names of those present at any Board and Board committee meetings, and the number of Members present or represented at any of the Annual or Special Membership Meetings;
  - (ii) Current copies of the Governing Documents as they may, from time to time, be amended;
  - (iii) A record of the Members showing the names of all of the Members, their current addresses and the class of Membership held by each; and
  - (iv) Except as otherwise provided for in the provisions of the Bylaws, the Secretary shall give or cause to be given, any notices required by the Bylaws for any Annual or Special Membership Meetings, Board Meetings and Board committee meetings. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Governing Documents or, from time to time, by the Board.
- d. **Chief Financial Officer**: The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books of accounts for the properties and transactions of the Association and shall send or cause to be sent to the Members and Directors such financial statements and reports as are required by law, the Declaration, the Bylaws, or the Board. The books of accounts shall be opened to the inspection of any Director at all reasonable times. In addition, the Chief Financial Officer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board, and shall disburse the funds of the Association as may be ordered by the Board. The Chief Financial Officer shall provide to the President and/or the Board, when requested, an accounting of all of the transactions made on behalf of the Association as well as of the financial position of the Association and shall have such other powers and perform such other duties as may be prescribed by the Governing Documents or, from time to time, by the Board.

9.G. **Signatures on Checks and Negotiable Instruments.**

1. Unless the Board authorizes more stringent requirements, any check or negotiable instrument issued by the Association shall require the signatures of any of the following officers: the President, the Chief Financial Officer and the Secretary, provided that under all circumstances the withdrawal of any money from the Association reserve accounts shall require the signatures of at least two (2) people who shall either be Directors or one (1) Director and one (1) officer who is not a Director.

9.H. **Compensation.**

1. Officers shall not receive any compensation for any service rendered to the Association as an officer; however, any officer may be reimbursed for out-of-pocket expenses incurred in the performance of his or her duties.

**ARTICLE X  
INDEMNIFICATION AND INSURANCE**

10.A. **Indemnification of the Association's Agents.**

1. For purposes of this **ARTICLE X**, the term "Agent" shall mean and refer to any present or former Director, officer, employee or other agent of the Association. The term "Proceeding" shall mean and refer to any threatened, pending or completed action, or proceeding, whether civil, criminal, administrative or investigative. The term "Expenses" shall mean and refer to any reasonable expenses incurred in the establishment of a right to indemnification and shall include, but not be limited to, any attorneys' fees, judgments, fines or settlements resulting from any Proceeding other than a Proceeding brought by or on behalf of the Association.

2. The Association shall indemnify any Agent who was a party to any Proceeding by reason of the fact that the person is or was an Agent of the Association, against Expenses actually and reasonably incurred in any Proceeding, to the extent that the Agent was successful on the merits in defense of such Proceeding or in the defense of any claim, issue, or matter therein.

3. The Association may indemnify any Agent of the Association who was or is a party, or is threatened to be made a party, to any Proceeding by reason of the fact that such person is or was an Agent of the Association, against Expenses actually and reasonably incurred in connection with such Proceeding, provided the approval of requirements described in Section 10.B., of the Bylaws, entitled, "**Indemnification Approval**," have been satisfied.

10.B. **Indemnification Approval.**

1. Unless indemnification is required as provided for in Section 10.A. of the Bylaws, entitled, "**Indemnification of the Association's Agents**," indemnification shall be made only if authorized in the specific case on a determination that indemnification is proper under the circumstances because the Agent satisfied the appropriate standard of care as described in Section 10.C. of the Bylaws, entitled, "**Standard of Care**." Such determination must be made by one (1) of the following methods:

- a. A majority vote of a Directors Quorum of the Board consisting of Directors who are not parties to the Proceeding.
- b. The affirmative vote of a majority of the voting power of the Members entitled to vote at a duly held Annual or Special Membership Meeting in which a Membership Quorum was present, or the approval by written ballot under the procedures described in Section 5.M. of the Bylaws, entitled, “**Action by Written Ballot Without an Annual or Special Membership Meeting**,” provided that if the Agent to be indemnified is a Member, the Agent shall not be entitled to vote.
- c. By an order of the court in which such Proceeding was pending or heard, as the case may be, on application made by the Association, the Agent, an attorney or other person rendering services in connection with the defense, whether or not the application is opposed by the Association.

2. Notwithstanding the foregoing, any indemnification in any Proceeding brought by or on behalf of the Association shall be subject to the restrictions contained in California Corporations Code section 7237(c), or any compatible superseding statutes.

**10.C. Standard of Care.**

1. In any Proceeding brought by or on behalf of the Association, the applicable standard of care shall require that the Agent acted in good faith, in a manner the Agent believed to be in the best interest of the Association and with the care, including reasonable inquiry, that an ordinarily prudent person in a like position would have taken under similar circumstances. In all other Proceedings, the Agent must have acted in good faith, in a manner the Agent believed to be in the best interest of the Association and, in the case of a criminal Proceeding, had no reasonable cause to believe that its, his, her or their conduct was unlawful.

**10.D. Advancement of Expenses.**

1. On approval by the Board, Expenses incurred in defending any Proceeding may be advanced by the Association prior to the final disposition of such Proceeding, provided the Association receives an undertaking by or on behalf of the Agent that the Agent was entitled to indemnification as required or authorized by the provisions of the Bylaws.

**10.E. Insurance.**

1. The Association shall have the power to purchase and maintain insurance on behalf of its Agents, against any liability asserted against or incurred by any Agent in such capacity or arising out of the Agent’s status as such whether or not the Association would have the power to indemnify the Agent against such liability under Sections 10.A. through 10.D. of the Bylaws.

## **ARTICLE XI AMENDMENTS**

### **11.A. Amending the Bylaws.**

1. Before the close of the first (1<sup>st</sup>) sale of a Lot in the Development to a purchaser other than the Declarant, the Bylaws and any amendments to it may be amended in any respect or revoked in their entirety by the Declarant.

2. If a two (2) class voting system is in effect, the Bylaws may be amended by the vote or written assent of a majority of the voting power of a Membership Quorum of each class.

3. If a one (1) class voting system is in effect, the Bylaws may be amended by the vote or written assent of a majority of the voting power of a Membership Quorum and a majority of the voting power of all the Members of the Association other than the Declarant.

### **11.B. Amending the Articles.**

1. Before the close of the first (1<sup>st</sup>) sale of a Lot in the Development to a purchaser other than the Declarant, the Articles and any amendments to it may be amended in any respect or revoked in their entirety by the Declarant.

2. If a two (2) class voting system is in effect, the Articles may be amended by the vote or written assent of a majority of the voting power of a Membership Quorum of each class.

3. If a one (1) class voting system is in effect, the Articles may be amended by a majority of the voting power of a Membership Quorum and a majority of the voting power of all the Members other than the Declarant.

### **11.C. Amendment Restrictions.**

1. Notwithstanding the amendment requirements contained in Sections 11.A., entitled, "**Amending the Bylaws**," and Section 11.B., entitled, "**Amending the Articles**," of the Bylaws, the percentage of the voting power of the Association or of the Members other than the Declarant necessary to amend a specific clause or provision in the Bylaws or of the Articles, shall not be other than the prescribed percentage of the affirmative votes required for any action to be taken under such clause or provision; and, if applicable, any amendment to the Articles or Bylaws shall satisfy the requirements of the provisions of the California Business and Professions Code section 11018.7, or any compatible superseding statutes.

**ARTICLE XII  
GENERAL PROVISIONS**

**12.A. Conflict with Declaration.**

1. If any provision of the Bylaws conflicts with any provision of the Declaration, the Declaration shall control to the extent of such conflict.

**12.B. Inspection Rights.**

1. The inspection rights of the Members and the Directors contained in Section 5.18 of the Declaration, entitled, "**DELIVERY OF DOCUMENTS AND INSPECTION OF ASSOCIATION BOOKS AND RECORDS,**" are incorporated herein and by this reference are made a part hereof as though fully set forth herein.

**CERTIFICATE OF SECRETARY**

I certify that I am the duly-elected and acting Secretary of the **SANTA YSABEL RANCH HOMEOWNERS ASSOCIATION**, a California Nonprofit Mutual Benefit Corporation, and the above Bylaws consisting of twenty-three (23) pages, are the Bylaws of this corporation as adopted by the incorporator on \_\_\_\_\_, 200\_\_, and that they have not been amended or modified since that date.

Executed on \_\_\_\_\_, 200\_\_, at \_\_\_\_\_, California.

\_\_\_\_\_  
, Secretary