

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND
THE BY-LAWS
OF



R-RANCH PROPERTY
OWNERS' ASSOCIATION

AMENDED as of January 28, 2013

R-Ranch is not subject to the Davis-Stirling Common Interest Development Act ("Davis Stirling Act") and here are the reasons why:

Requirements of Davis Stirling Act. The Davis Stirling Act is set up so that real estate developments are either subject to the Davis Stirling Act or they are not depending on the characteristics of the development. The Davis Stirling Act is not designed to allow a development to voluntarily become subject to the Davis Stirling Act nor does the Davis Stirling Act allow developments to choose to exempt itself from the Davis Stirling Act. A real estate development not subject to the Davis Stirling Act due to its characteristics may not become subject to the Davis Stirling Act by reciting it is subject to the Davis Stirling Act in its governing documents and a real estate development which is subject to the Davis Stirling Act due to its characteristics may not exempt itself from the Davis Stirling Act by reciting that it is exempt in its governing documents. The only way a real estate development may change whether it is or is not subject to the Davis Stirling Act is to change the underlying fundamental characteristics of the development.

The Davis Stirling Act only Applies to Four Types of Defined Developments. The Davis Stirling Act only applies to Common Interest Developments, see Civil Code § 4200. The Davis Stirling Act defines a Common Interest Development as being any of the following, (1) a community apartment project, (2) a condominium project, (3) a planned development or (4) a stock cooperative. See Civil Code§ 4100. Each of these four types of real estate developments is separately defined. In order for the Davis Stirling Act to apply to a development, the development must fall within the definition of one of the four types of developments.

Community Apartment Project Definition. A community apartment project is defined by Civil Code § 4105 as follows: "A "community apartment project" means a development in which an undivided interest in land is coupled with the right of exclusive occupancy of any apartment located thereon." It is clear in the case of R-Ranch that where there is an undivided interest in land, that undivided interest is not coupled with the right of exclusive occupancy of an apartment located on the land. R-Ranch does not meet the definition of a community apartment project. There is no exclusive occupancy apartments located at R-Ranch.

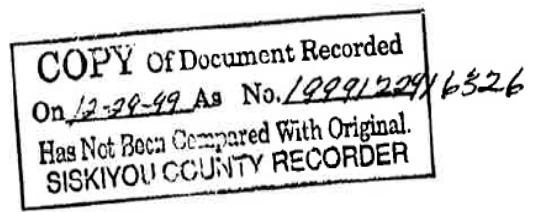
Condominium Project Definition. A condominium project is defined by Civil Code § 4125 as follows: "a "condominium project means a real property development consisting of condominiums. A condominium consists of an undivided interest in common in a portion of real property coupled with a separate interest in space, called a unit, the boundaries of which are described on a recorded final map, parcel map, or condominium plan in sufficient detail to locate all boundaries there of..." Again it is clear that in the case of R-Ranch that there is an undivided interest in land but that interest is not coupled with a separate interest in a unit and there is no map or condominium plan that purports to describe the units.

Planned Development Definition. A planned development is defined by Civil Code § 4175 as follows: "Planned development" means a real property development other than a community apartment project, a condominium project, or a stock cooperative having either or both of the following features:

- (1) Common area that is owned either by an association or in common by the owners of the separate interests who possess appurtenant right to the beneficial use and enjoyment of the common area.
- (2) Common area and an association that maintains the common area with the power to levy assessments that may become a lien upon the separate interests in accordance with Article 2 (commencing with Section 5650) of Chapter 8."

The definition of a planned development clearly requires both separate interests and common area.

The definition of separate interests for planned developments is contained in Civil Code§ 4185 (3) as follows: "in a planned development, 'separate interest' means a separately owned lot, parcel, area or space." It is clear that the owners of the "shares" or undivided interests in R-Ranch do not have separately owned lots, parcels areas or spaces within the development. Also without separate interests there can be no common area as defined in Section Civil Code § 4095 since common area is defined as the entire common interest development except for the separate interests. (**CONTINUED ON BACK COVER**)



COVENANTS, CONDITIONS AND RESTRICTIONS

OF THE

R-RANCH PROPERTY OWNERS ASSOCIATION

A CALIFORNIA NONPROFIT CORPORATION

Revised December 13, 1999

**FIRST RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF THE
R-RANCH PROPERTY OWNERS ASSOCIATION**

Declaration of Covenants, Conditions, and Restrictions for R-Ranch Property Owners Association, executed by Jeff Dennis, the "Declarant", and recorded on July 1, 1971 in Volume 627, page 492, of the Official Records of Siskiyou County, California, and amended December 15, 1971, volume 644, pages 377-393, (The "Original Declaration") which affects all of the Properties described and commonly known as R-Ranch Property is hereby amended and restated in its entirety to read as follows:

RECITALS

- A. Declarant was the original Owner of that certain real property located in the County of Siskiyou, State of California, which is more particularly described in the Original Declaration attached hereto and incorporated herein by reference.
- B. It was the intention of the Declarant to creation R-Ranch an Association with open spaces, recreational and other common facilities for the benefit of the said community and Declarant desire to provide for the preservation of the values and amenities in R-Ranch and for the maintenance of said open spaces, recreational and other common facilities; and to that end Declarant deemed it desirable for the efficient preservation of the values and amenities in said community Association to provide for the creation of an Owners Association to which would be delegated and assigned the powers of maintaining and administering the said open spaces, recreational and other common facilities and of collecting and disbursing the assessments and charges therefore.
- C. Declarant conveyed undivided interests in R-Ranch subject to certain easements, covenants, conditions, restrictions, reservations, liens, and changes as set forth in the Original Declaration referred to above, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of the R-Ranch and all of which shall run with the Properties and be binding on all parties having or acquiring any right, title or interest in any undivided Ownership interest in R-Ranch, or any part thereof, their heirs, successors and assigns, and shall insure to the benefit of all Owners.
- D. On October 15, 1999, 66 2/3 percent of the Owners of Undivided Interests in the Properties voted by written ballot to amend and restate the Original Declaration in accordance with the procedures for amendment set forth in the Original Declaration and Civil Code section 1355. It was the intention of said Owners to replace the Original Declaration in its entirety, with the recordation of this Declaration. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved is attested by the execution of this First Restated Declaration by duly authorized Officers of the Association, as required by California Civil Code section 1355(a). As so amended and restated the easements, covenants, conditions, and restrictions set forth herein shall run with the Properties and shall be binding upon all parties having or acquiring any right, title or interest in the Properties or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I

Definitions

[1.1] Section 1. "Articles" means the Articles of Incorporation of R-Ranch Property Owners Association, which are filed in the Office of the California Secretary of State; as such Articles may be amended from time to time.

[1.2] Section 2. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Share in accordance with the provisions of article IV of this Declaration.

[1.3] Section 3. "Association" means R-Ranch Property Owners Association, a California nonprofit corporation (formed pursuant to the Nonprofit Corporation Law of the State of California), its successors and assigns. The Association is an "Association" as defined in California Civil Code section 1351(a).

[1.4] Section 4. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors of the Association, pursuant to article III, section 7 of this Declaration, as the same may be in effect from time to time.

[1.5] Section 5. "Board of Directors" or "Board" means the Board of Directors of the Association.

[1.6] Section 6. "Bylaws" means the Bylaws of the Association; as such Bylaws may be amended from time to time.

[1.7] Section 7 "Common Area" means all real property owned by the Association and its Owners for the common use and enjoyment of the Owners. The Common Area owned by the Association at the time of the recordation of this Declaration as described in the Original Declaration attached hereto.

[1.B]Section 8. "Common Expense" means any use of Common Funds authorized by article IV hereof, without limitation: (a) All expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations, or reconstruction of the Common Area and Common Facilities, including all water systems. (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors, (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities that the Association is obligated to maintain or replace, and for nonpayment of any Assessments, and (d) use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

[1.9]Section 9. "Common Facilities" means the trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, pools, horses, structures, tanks, wells, pumps and other facilities constructed or installed, or to be constructed or installed, or currently located within the Common Areas.

[1.10]Section 10. "County" means the County of Siskiyou, State of California, and its various departments, divisions, employees and representatives. If any portion of the Properties becomes a portion of an incorporated city, then the term "County" shall be deemed to include the city in which that portion of the Properties is located.

[1.11]Section 11. "Declarant" means the original developer of the Properties.

[1.12]Section 12. "Declaration" means this instrument, as it may be amended from time to time. The "Original Declaration" means and refers to the document referenced in the Preamble to this Declaration together with all the amendments and annexations thereto, adopted prior to adoption of this Declaration.

[1.13]Section 13. "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles, the Bylaws, and the Association rules.

[1.14]Section 14. "Improvement" includes, without limitation, the construction, installation, alteration, or remodeling of any buildings, walls, decks, fences, landscaping, landscape structures, heating equipment, utility lines, water systems, roads or any structure of any kind.

[1.15]Section 15. "Member" means every person or entity who holds a Membership in the Association and whose rights as a Member have not been suspended.

[1.16]Section 16. "Associate Member" means the spouse and/or children of a Member who have the same residence as the Member and Officers of the Association not otherwise a Member by reason of Ownership.

[1.17]Section 17. "Owner" means any person, corporation or other entity that owns a Share in the Properties.

[1.1B]Section 18. "Owner of Record" means any person, firm, corporation or other entity in which title to a Share is vested as shown by the official records of the Office of the County Recorder.

[1.19]Section 19. "Properties" means all parcels of real property described in recital "A" hereof, together with all buildings, structures, utilities, Common Facilities, and other improvements located thereon or hereafter constructed or installed thereon, and all attachments thereto.

[1.20]Section 20. "Regular Assessments" means an Assessment levied on an Owner and his or her Share in accordance with article IV, section 2 hereof.

[1.21]Section 21. "Share" means any single 1/2500th undivided interest in the Properties.

[1.22]Section 22. "Special Assessment" means an Assessment levied on an Owner and his or her Share in accordance with article IV, section 3 hereof.

[1.23]Section 23. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Share in accordance with article III, section 3.5 hereof.

ARTICLE II

[2.1]Section 1. Owners' Nonexclusive Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Areas within the Properties, including ingress and egress to and from, which shall be appurtenant to and shall pass with the title to every Share, subject to the following rights and restrictions:

- (a) The right of the Association to adopt Association Rules as provided in article III, section 7 hereof, regulating the use and enjoyment of the Properties for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any to temporarily suspend the voting rights and/or right to use the common facilities, by any Owner and/or the Owner's guests.
- (b) The right of the Association, in accordance with its Articles and Bylaws, to borrow money in an emergency for the purpose of repairing the Common Area and Common Facilities,
- (c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed by the Owners; provided, however, that no such dedication or transfer shall be effective unless an instrument, approved by at least two-thirds of the voting power of the Members, consenting to such dedication or transfer has been recorded. Furthermore, no dedication shall be permitted that impairs the ingress and egress to any common area. Said instrument may be executed in counterparts so long as each counterpart is in recordable form.

[2.2]Section 2. Persons Subject to governing Documents. All present and future Owners, occupants and invitees shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e., Owners, occupants, invitees, etc.). The acceptance of a deed to any Share or the entering into contract of sale with respect to any Share shall constitute the consent and agreement of such Owner that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon said person and that said person will observe and comply with the Governing Documents.

[2.3]Section 3. Obligations of Owners. Owners of Shares shall be subject to the following:

- (a)
 - (i) As more particularly provided in the California Civil Code section 1368, as soon as practicable before transfer of title or the execution of a sales contract with respect to any Share, the Owner thereof must give the prospective purchaser (A) a current copy of Governing Documents; (B) the Association's most current financial statement; (C) a true statement in writing from the Association ("Delinquency Statement") as to the amount of any delinquent Assessments, together with information relating to late charges, attorneys' fees, interest, and reasonable costs of collection which, as of the date the statement is issued, are or may become a lien on the Share being sold; (D) a true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and Special Assessments and (if any) and fees; (E) a notice of any change in the Association's current Regular or Special Assessments and fees that have been approved by the Board but that have not become due and payable as of the date that the information is provided.
 - (ii) The Association shall, within 10 days of the mailing or delivery of a written request for the information described in subparagraph (c) (i), above, provide the Owner with a copy of the current Governing Documents, together with the delinquency statement referred to in the immediately preceding paragraph. The Association shall be entitled to impose a fee for providing the Governing Documents and delinquency statement equal to (but not more than) the reasonable cost of preparing and reproducing the requested materials. In addition, the Association may impose a reasonable fee to cover its actual costs incurred to change its records in connection with a change of Ownership of a Share.
- (b) **Payment of Assessments and Compliance with Rules.** Each Owner shall pay when due each Regular, Special Assessment and Special Individual Assessments levied against the Owner and his or her Share and shall observe, comply with and abide by any and all rules and regulations set forth in, or promulgated by the Association pursuant to, any Governing Document for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities.
- (c) **Joint Ownership of Shares;** No undivided interest in R-Ranch shall be owned by more than one person or other entity, except as follows, and only subject to the following provisions:
 - A husband and wife may jointly own and individual interest, two adults individual persons living in the same household may jointly own an undivided interest and only those individuals immediate family Members living in the same household shall be entitled to the privileges of Associate Membership in the Association.
If Legal title or an equitable interest is acquired by any corporation, partnership, joint venture or other entity, then such entity shall be entitled to have Membership in the Association issued to only one individual living person or two adult individual persons living in the same household and only those individuals immediate family Members living in the same household shall be entitled to the privileges of Associate Membership in the Association.
An Interest may pass under an estate of a deceased person to more than one living person, provided that only one living person or two adult persons living in the same household shall be entitled to have Membership privileges in the Association derived from such undivided interest, and only those individual's immediate family, living in the same household, shall be entitled to the privileges of Associate Membership.
If undivided Ownership interests conflict with the foregoing provisions or in the event of a dispute among Owners of undivided interest, the Owner whose name appears first on the title shall be entitled to the privileges of Membership in the Association, but if any conflict or dispute is not thereby resolved, the Association may deny the privileges of Membership to all the Owners until the Owners comply with the provisions of this section.
Owners of record shall be given 30 days' notice and the right to appeal the decision of the Association to the Board of Directors. Such appeal shall be held in closed executive session unless requested in writing by the Owners to be heard in open session.
In the event of Joint Ownership of any Share, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this subparagraph shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including, without limitation, the payment of all Assessments.
- (d) **Prohibition on Avoidance of Obligations.** No Owner, by non-use of the Common Area or Common Facilities, abandonment of the Owner's Share or otherwise may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Share pursuant to the Declaration.

- (e) **Termination of Obligation.** Upon the conveyance, sale, assignment or other transfer of a Share to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Share which become due after the date of recording of the deed evidencing said transfer and, upon such recording, all Association Membership rights possessed by the transferor by virtue of the Ownership of said Share shall cease.

[2.4]Section 4. Power of Association to sell all or part of property. The Association shall, upon the affirmative vote of sixty six and two-thirds per cent (66 2/3%) of the Members in good standing, have the right and power to sell and covey all or any portion of the Properties. This power of sale is subject to the following further provisions:

- (i) if, by vote of the Members entitled to vote on this issue in the manner and subject to the provisions hereof, the Association shall have determined to sell all or any part of the Properties then any two Officers of the Association shall execute and file for record in the Official Records of Siskiyou County, a certificate stating that the terms hereof have been complied with, and that they are hereby authorized and directed to execute and deliver any and all deeds, contracts, documents, and other instruments necessary, to effect the sale. Recordation of such certificate shall constitute conclusive evidence that any two Officers of the Association are authorized and empowered to execute and deliver these documents.
- (ii) by accepting title to an undivided interest in R-Ranch, the purchaser thereof, for himself and his successors in interest, hereby makes, constitutes and appoints each of the Officers of the Association referred to in the subparagraph (a) above, his true and lawful agent and attorney, for in the name, place and stead, and for his use and benefit, to effect any sale of all or any portion of R-Ranch, and to do all other necessary to complete the transfer of title.

ARTICLE III

Property Owners Association

[3.1]Section 1. Association Membership. Every Owner of a Share shall be a Member of the Association. Each Owner shall hold one Membership in the Association for each Share owned and the Membership shall be attached to such Share. Ownership of a Share or interest in it shall be the sole qualification for Membership in the Association. Each Owner shall remain a member of the Association until his or her Ownership in all Shares in the Properties ceases, at which time his or her Membership in the Association shall automatically cease. Persons or entities who hold an interest in a share merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Share through foreclosure or deed in lieu thereof.

[3.2]Section 2. One Class of membership. The Association shall have one class of Membership and the rights, duties, obligations and privileges of the Membership shall be as set forth in the Governing Documents.

[3.3]Section 3. Voting Rights of Members. Each member of the Association shall be entitled to one vote for each Share owned by said Member. When more than one person holds interest in any share, only one such persons shall be Members, although in no event shall more than one vote be cast with respect to any Share. Voting rights may be temporarily suspended under those circumstances described in article IV Section 3 of the Bylaws.

[3.4]Section 4. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Shares within the Properties and to enforce payment of such Assessments in accordance with article IV of this Declaration. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

[3.5]Section 5. Special Individual Assessments.

- (a) **Circumstances giving rise to Special Individual Assessments.** In addition to the Special Assessments levied against all Owners in accordance with Section 4.3, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described below; provided that, no Special Individual Assessment may be imposed against an Owner pursuant to this section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled, and if appropriate, has been given a reasonable opportunity to comply voluntarily with the Association Governing Documents. Subject to the forgoing, the facts and circumstances giving rise to liability for Special Individual Assessments include the flowing:
 - (i) **Damage to Common Area or Common Facilities.** In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities, including any portion of the Unit which the Association is Obligated to repair and maintain, is caused by willful misconduct or negligent act or omission of any Owner, any Member of his or her family, or any of his or her tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.
 - (ii) **Expense Incurred in Gaining Member Compliance.** In the event that the Association incurs any costs or expenses, to accomplish (A) the payment of delinquent Assessments, (B) any repair, maintenance or replacement to any portion of the Properties that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner and/or his or her Share into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorney fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

- (iii) **Services Furnished.** In the event the Association incurs expenses for materials or services furnished at the request of, or with the consent of any Owner, such expenses may be charged solely to and against such Owner as a Special Individual Assessment.
- (b) **Levy of Special individual Assessment and Payment.** Once a Special individual Assessment has been levied against an Owner, such Special Individual Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner, payable in full to the Association within 30 days after the mailing of notice of the Assessment.

[3.6]Section 6. Transfer of Memberships. membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Share to which it is attached and then only to the purchaser. In the case of a sale, Membership passes automatically to the purchaser upon recording of the deed evidencing transfer of title to the Share. In the case of an encumbrance of such Share, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void. In the event the Owner of any Share should fail or refuse to transfer the Membership registered in the Owner's name to the purchaser of his or her Share, the Association shall have the right to record the transfer upon its books and thereupon any other Membership outstanding in the name of the seller shall be null and void.

[3.7] Section 7. Powers and Authority of the Association.

- (a) **Powers Generally;** the Association shall have the responsibility of managing and maintaining the Common Area and Common Facilities and discharging the other duties and responsibilities imposed on the Association by the governing Documents. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the management of its Properties and the discharge of its responsibilities hereunder for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The Specific powers of the Association and the limitations thereon shall be as set forth in article IX of the Bylaws.

[3.8] Section 8. Association Rules.

- (a) **Rule Making Power.** the board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the owners of Shares within the Properties concerning any matter within the jurisdiction of the Association as provided in the Governing Documents. Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the other Governing Documents or the rights, preferences and privileges of Members thereunder. In the event of any material conflict between and Association Rule and any provision of the other Governing Documents, the conflicting provisions contained in t the other Governing Documents shall be deemed to prevail.
- (b) **Distribution of Rules.** A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. A copy of the Association Rules shall also be available and open for inspection during the normal business hours of 9:00 a.m. to 4:00 p.m. at the principal office of the Association with prior written notice to the Board.
- (c) **Adoption and Amendment of Rules.** Association Rules may be adopted or amended from time to time by majority vote of the Board of Directors. A notice describing the purposed rule or amendment shall be posted on all bulletin boards at least 15 days prior to the Board discussion and shall set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken. No Association Rules or amendments thereto shall become effective until (i) the new rule had been distributed to the Owners by mail and (ii) posted in the Association's principal office and bulletin Boards. Any duly adopted rule or amendment to the Rules shall become effective immediately following the above communications to the Owners or the date of adoption thereof by the Board, depending on the circumstances, or at such later date as the Board may deem appropriate.
- (d) **Due Process Requirements for Disciplinary Action.** Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to the Properties or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner on account of the misconduct of the Owner's guest unless and until the following conditions have been satisfied:
 - (i) The Owner has received written notice from the Board detailing the nature of the guests' alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter in the event the Owner believes that remedial or disciplinary action is unwarranted or unnecessary.
 - (ii) The Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing, ifthe Owner requests one.
 - (iii) The owner has failed to immediately prevent of correct the guests' objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in closed executive session with the Board, unless requested otherwise by the Owner in writing, in which case the hearing will be conducted in open session.
- (e) **Recoverable Costs and Expenses.** In the event of (i) damage to, or destruction of, Common Areas or Common Facilities by a guest of the Owner; (ii) the imposition of a fine or penalty against an Owner as a result of any act or omission of the

Owner; or (iii) expenses incurred by the Association in the successful prosecution of an eviction proceeding above, the Association shall be entitled to recover all costs and expenses. The Owner shall thereupon immediately reimburse the Association in an amount equal to the sums expended.

[3.9]Section 9. Limitation on Liability of Association's Directors and Officers;

- (a) **Claims regarding Breach of Duty;** No Director or officer of the Association (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Association's Members, or to any other person, for any error or omission in the discharge of their duties and responsibilities or for their failure to provide any service required hereunder or under the Bylaws, provided that such Released Party has, upon basis of such information as may be possessed by the Released Party, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances. This is known as the business judgment rule.
- (b) **Other Claims involving Tortious Acts and property Damage;** No person who suffers bodily injury (including, without limitation, emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer member of the Board or volunteer Officer of the Association shall recover damages from such board member of office if all of the following conditions are satisfied pursuant to Civil Code 1365.7:
 - (i) The Board Member or Officer is an owner of no more than two Shares;
 - (ii) The act or omission was performed within the scope of the volunteer Board;
 - (iii) Member's or officer's Association Duties;
 - (iv) The act or omission was performed in good faith;
 - (v) The act or omission was not willful, wanton, or grossly negligent;
 - (vi) The Association maintained and had in effect at the time the act of omission occurred and at the time a claim was made one or more policies of insurance that include coverage of general liability of the Association and individual liability of the officers and Directors of the Association for negligent acts or omissions in tier official capacities, with minimum coverage for both types of insurance being not less than \$1,000,000.

The Payment of actual expenses incurred by a Board Member or officer in the execution of that person's Association duties shall not affect that person's status as a volunteer Board Member of Officer for the purposes of this section.

The provisions of this subparagraph (b) are intended to reflect the protections accorded to volunteer Directors and Officers of community Associations under Civil Code 1365.7. In the event that Civil Code section is amended or superseded by another, similar provision of the California statutes, this subparagraph (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor Civil Code provision.

ARTICLE IV

Assessments

4.1 Section 1. Assessments Generally.

- (a) **Covenant to Pay Assessments;** Each owner of one or more Shares, by acceptance of a deed or other conveyance thereof, whether or not it shall be so expressed in such deed or conveyance, agrees to pay the Association all Assessments as each Shares respective Share of the expenses paid by the Association for the upkeep, maintenance and general benefit of the property in its entirety including the preservation and enhancement of the condition and value thereof. The obligation for payment of such Assessments shall be attached to each owner's Share, and shall be separate and distinct from any disputes between the Owner and the Association as to the nature and performance of any responsibilities of the Association. No failure by the Association to perform any such responsibility in a manner deemed to be satisfactory by the Owner shall excuse payment of any assessment due to the Association, either in whole or part.
- (b) **Extent of Owner's Personal Obligation for Assessments;** All Assessments, together with late charges and interest imposed by the Association in accordance with the Governing Documents and any applicable laws, and any costs, including without limitation reasonable attorneys' fees attributed thereto and incurred in the collection thereof, are and shall be a charge and continuing lien against the Share so assigned, and shall also be a debt and a personal obligation of the person who is the Owner of the Share at the time the Assessment was levied. The continuing lien upon and against such Share is hereby declared and agreed to a lien coupled with the power of sale with respect to the undivided interest pertaining to the Share so Assessed in the nature of the deed of trust with the power of sale, exercisable by the Association and any trustee designated by the Association. Each Owner who acquires a fee interest in the Share, whether at judicial sale, trustee's sale or otherwise, shall be personally liable for Assessments attributed to the Share so purchased. Any unpaid Assessments of a previous Owner shall remain the debt of the new Owner unless extinguished by a County tax lien sale, bankruptcy, or other judicial action.
- (c) **No Avoidance of Assessment Obligations;** No owner may exempt himself or herself from personal liability for Assessments duly levied by the Association, nor release the Share or other property Owned by him or her from the liens and

charges hereof, by waiver of the use and enjoyment of the Common Areas and Common Facilities or non-use of his or her Share or any other portion of Properties.

4.2 Section 2. Regular Assessments.

- (a) **Preparation of Annual Budget: Establishment of Regular Assessments;** Not less than 45 nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated common expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the common facilities) by preparing and distributing to all Association Members a budget satisfying the requirements of article XII, section 5 of the bylaws. If the board fails to distribute the budget for any fiscal year within the time period provided for in this section, the Board shall not be permitted *to* increase Regular Assessments for that fiscal year unless the Board first obtains the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with the Bylaws.
- (b) **Establishment of Regular Assessment by Board of membership Approval Requirements;** The total Annual expenses estimated in the Association's budget (less projected income from sources other than assessments) shall become aggregate Regular Assessment for the next succeeding fiscal year , provided that, except as provided in subparagraph (a) above, and subparagraph (c) below, the Board of Directors may not impose a regular Assessment that is more than 20 percent greater than the Regular Assessment for the Associations immediately preceding fiscal year without the vote or written assent of Members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association as defined in California Civil Code 1366(b).
- (c) **Assessments to Address Emergency Situations;** The requirement of a membership vote to approve Assessment increases in excess of 20 percent of the previous year's Regular Assessment shall not apply *to* assessment increases necessary *to* address emergency situations. For purposes of this subparagraph (c), an emergency situation is any of the following:
 - (i) An Extraordinary expense required by an order of a court.
 - (ii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities of any portion of the separate interests which the Association is obligated *to* maintain where a threat to personal safety is discovered.
 - (iii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities, or any portion of the separate interests which the Associations is obligated to maintain that could not have been reasonable foreseen by the Board in preparing and distributing the budget pursuant to subparagraph (a) above, provided that, prior to the imposition or collection of an assessment under this paragraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonable foreseen in the budgeting process. The board's resolution shall be distributed to the Members together with the notice of Assessment.
- (d) **Allocation of Regular Assessment;** the total estimated Common expenses, determined in accordance with subparagraph (a) above, shall be allocated among, assessed against, and charged to each Owner according to the ratio of the number of Shares owned by the assessed Owner to the total number of Shares subject to Assessments so that each share bears an equal Share of the total Regular Assessment.
- (e) **Assessment Roll;** That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with records of the Association and shall be open for inspection at all reasonable times by each Owner of his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association.
- (f) **Mailing Notice of Assessment;** The Board of Directors shall mail to each Owner at the street address of the Owner's Share, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next Succeeding fiscal year no less than 45 days prior *to* the beginning of the next fiscal year.
- (g) **Failure to make Estimate:** If, for any reason the Board of Directors fails to make an estimate of the Common expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year shall remain in full force and effect for the following fiscal year, and shall be payable on the regular payment dates established by the Board.

4.3 Section 3. Special Assessments

- (a) **Purposes for which Special Assessments May be Levied;** Subject to the membership approval requirements set forth in subparagraph (b) below, the Board of Directors shall have the Authority to levy Special Assessments against the Owners and their Shares for the following purposes:
 - (i) **Regular Assessment Insufficient in Amount;** if at any time, the regular Assessment for any fiscal year is insufficient section 3 subparagraph (a)(i), shall be subject *to* membership approval requirements under the circumstances described in article IV, section 2(a).

- (ii) **Capital Improvements;** The Board may also levy Special Assessments for Additional Capital improvements within the Common Area (i.e., Improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities.). The Special Assessments power conferred hereunder is not intended to diminish the board's obligation to plan and budget for normal maintenance, replacement, and repair for the Common Area or Existing Common Facilities through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Area and Common Facilities.
- (b) **Special Assessments Requiring Membership Approval;** no Special Assessments described in (i) section 3(a) hereof, which in the aggregate exceed 5 percent of the budgeted gross expenses of the Association for the fiscal year in which the Special Assessment(s) is levied; or (ii) in the last sentence of article IV, section 2(a), shall be made without the vote or written assent of members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association, provided that this membership approval requirement shall not apply to any Special Assessment levied to address "emergence situations" as defined in this article IV, section 2(c).
- (c) **Allocation and Payment of Special Assessments;** When levied by the Board or approved by the members as provided above the Special Assessment shall be divided among, assessed against and charges to each Owner and his or her Share in the same manner prescribed for the allocation of Regular Assessments pursuant to article IV, section 2(d), above. The Special Assessment shall be recorded on the Associations assessment roll and notice shall be mailed to each Owner.

4.4

Section 4. Purpose and Reasonableness of Assessments; Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively (a) to promote the recreation, health, safety and welfare of the residents; (b) to promote the enjoyment and use of the properties by the Owners and their families, tenants, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a continuing lien against any Share as to which such Assessment is levied and a separate, distinct and personal obligation of each Owner of any Share against which such Assessment is levied and shall be binding on the owner's heirs, successors and assigns, provided that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owners successors in title if the property was purchased at a County tax lien sale.

4.5

Section 5. Maintenance of Assessment Funds;

- (a) **Bank Accounts;** All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more federally insured checking, savings or money market accounts selected by the Board of Directors which has offices located in the State of California.

In Addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees.

The Board, and such Officers or agents of the Association as the Board shall designate, shall have exclusive control of said accounts(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof.

- (b) **Separate Accounts: Commingling of Funds;** except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose.

Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments.

If the Proceeds of any Special Assessment exceed the amount required to accomplish the purpose for which such Assessment was levied, such surplus may, in the Board's discretion, be reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded or credited proportionately on account of the Owners' future Regular Assessment obligations.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall maintain a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom, provided that receipts and disbursements of Special Assessments made pursuant to this article IV, section 2(a) (i) shall be accounted for together with the receipts and disbursements of Regular Assessments.

Unless the Association is exempt from federal or state taxes, all sums allocated to capital reserve replacement funds shall be maintained and accounted for in a separate bank account as trust funds segregated from regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax board that will prevent such funds from being taxed as income of the Association.

4.6 Section 6. Collection of Assessments; Enforcement of Liens.

- (a) **Delinquent Assessments;** if any payment of a Regular Assessment or lump sum of any Special Assessment assessed to any Owner is not paid within 15 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest 12% annually (or 1% per month) beginning 30 days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to charge a reasonable late charge as defined in the Delinquent Assessment Policy for any delinquent Assessments 15 days after the same becomes due, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable superseding statutes. Further, assessments delinquent by more than 30 days after the first assessment due date shall result in the entire annual amount becoming due and payable.
- (b) **Creation and Imposition of a Lien;** Assessment(s) and other sums duly imposed pursuant to this article IV and California Civil Code section 1366, (b) the legal description of the Owner's Share against which the Assessment and other sums are levied, (c) the name of the Owner of Record of such Share, (d) the name and address of the Association, and (e) the name and address of the trustee authorized by the Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be recorded in a timely manner a lien release stating the satisfaction and release of the lien thereof.
- (c) **Remedies Available to the Association to Collect Assessments;** The Association may initiate a legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Share or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by non-judicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code section 2934a. Any sale of a Share by a trustee acting pursuant to this section 9 shall be conducted in accordance with California Civil Code sections 2924, 2924b, and 2924c applicable to the exercise of powers of sale in mortgages or deeds of trust. The Association may also pursue, simultaneously or separately, and at the election of the Board, such administrative remedies for the non-payment of Assessments, including the suspension of voting privileges and right to use the Common Facilities attribute to any Share for which Assessments or related charges are delinquent, as are available to the Association pursuant to the provisions of the Governing Documents for Delinquent Assessments. As more particularly provided in California Civil Code section 1367 or comparable superseding statute, the amount of any Delinquent Regular, Special or Special individual Assessments, together with any late charges, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Share of the Owner so assessed only when the Association causes to be recorded in the Office of the County Recorder of the County, a Notice of Delinquent Assessment executed by an authorized representative of the Association, setting forth (a) the amount of the delinquent
- (d) **Non Judicial Foreclosure;** The Association may enforce any lien by private power of sale in the following manner, or in such other manner as may be adopted by the Board and/or Trustee contracted by the Board to handle the lien and foreclosure process which is not inconsistent with the current law:
 - (i) The Trustee shall cause a notice of Default to be prepared and recorded in the Official Records with respect to the lien, and shall cause copies of said Notice of Default to be mailed to the Owners of Record of the affected Share, at the last known address for such Owners in the books and records of the Association, within 10 days following the recordation of such Notice of Default, and to such other persons as are known or believed by the Association to have encumbrances against such Share junior to the lien within 30 days following the recordation of such Notice of Default.
 - (ii) If all amounts due to the Association under this Declaration with respect to such lien, including without limitation and all amounts coming due to the Association after the recording date of such lien, and any costs incurred by the Association in connection with the lien and such non-judicial default proceedings, have not been paid in full to the trustee for the benefit of the Association, by certified or cashier's funds physically received by the trustee within three months following the recordation of such Notice of Default, the Trustee may cause a Notice of sale with respect to such lien and the affected Share, which shall set a date, time and place of such sale, to be mailed to all persons entitled to receive a copy of the notice of Default relating to the lien and such Share, at least 20 days prior to any scheduled sale of such Share, and shall cause the original of such Notice of Sale to be recorded in the Official records at least 12 days prior to the date of sale, and shall cause a copy of the Notice of Sale to be published at least once a week for three consecutive weeks prior to the date of sale in an adjudicated newspaper in the County or City where the Share exists, and shall cause a copy of such Notice to be posted on the Share and in one public place in the city where such sale is to take place, at least 20 days prior to holding such sale.
 - (iii) After the giving of such Notice of Sale, the Trustee, without demand on any Owner of the affected Share, may sell such share at the date, time, and place fixed in said Notice of Sale, at public auction to the highest bidder, for cash, money order, or certified check in lawful money of the United States, all payable at the time of sale.
 - (iv) The Trustee may postpone the noticed sale of such Share by public announcement at the time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement.
 - (v) The Trustee shall deliver to the purchaser at any such sale the trustee's deed conveying the Share so sold, but without covenant or warranty, expressed or implied, and the recitals in such deed shall be conclusive proof of the truthfulness thereof.
 - (vi) Any person, including the Association, may bid on such Share and purchase the same at such sale, and, if the Association shall elect to bid on such Share at any such sale, the Association shall be entitled to a credit, in lieu of the obligation to bid and pay cash, for up to the total amounts due and owing to the Association, including any

costs of such sale, respect to such Share at the time of such sale, which obligations shall be deemed satisfied as to the amount so bid.

- (vii) After deducting from the proceeds of such sale all costs, fees and expenses incurred by the Association in connection with such default proceedings, the net proceeds shall be applied to the payment of all sums secured by the lien at the time of sale, including interest, late charges, costs and attorneys' and/or Trustee's fees, and the remainder, if any shall be disbursed to the person or persons legally entitled thereto.
 - (viii) Any owner of such Share, and any person with an interest in such Share, may terminate such default proceedings prior to the sale of such Share at public auction by payment of all amounts then due and payable to the Association with respect to such Share, including without limitation any delinquent Assessments, and Assessments then due and payable but not delinquent, and any late charges due to the Association, any attorneys' and trustee's fees and costs incurred by the Association in connection with the collection of such amounts, the filing of the lien, such Default proceedings, or any other proceedings relating to such delinquency, and any and all accrued interest due on any such amounts to the date on which all such sums are paid.
 - (ix) The trustees may take any actions in the course of any such non-judicial default proceedings as the Trustee believes necessary or appropriate to ensure that the procedures utilized in such non-judicial default proceedings, and any, sale of the Share by private power of sale, are in compliance with applicable laws.
 - (x) The Association may change the identity of the Trustee authorized to conduct the non-judicial default proceedings by causing a Substitution of trustee to be executed and recorded in the Official Records, in the same manner as the recordation of a Substitution of trustee under a Deed of trust. The Secretary, President, Treasurer, may execute this Substitution of trustee on behalf of the Association, or any previously designated trustee Authorized and designated to do so by the Board.
- (e) **Actions for Money Judgment;** in the event of a default in payment of any Assessment, the Association, in its name but acting for and on behalf of all other Owners, may initiate legal action, in addition to any other remedy provided herein or by law, to recover a money judgment or judgments for unpaid Assessment, costs and attorney's fees without foreclosure or waiver of the lien securing same.

4.6 Section 7. Transfer of Shares by Sale or Foreclosure; The following rules shall govern the Association's rights to enforce its Assessment collection remedies following the sale or foreclosure of a unit.

- (a) The sale or transfer of any Share shall not affect any Assessment lien duly recorded with respect to that Share before the sale or transfer, and the Association can continue to foreclose its lien in spite of the change in Ownership.
- (b) No sale or transfer of a share as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of that Share (whether it be the former beneficiary of the first mortgage or other prior encumbrance, or a third party acquiring an interest in the Share) from liability for any Assessments thereafter becoming due or from lien thereof.
- (c) Any assessments, late charges, interest, and associated costs of collection that are lost as a result of a sale or transfer covered by paragraph (b), above, shall be deemed to be common expense collectable from the Owners of all the Shares, including the person who acquires the Share and his or her successors and assigns.
- (d) No sale or transfer of a Share as the result of foreclosure, exercise of a power of sale, or otherwise, shall affect the Association's right to maintain an action against to foreclosed previous Owner of the Share personally to collect the delinquent assessments, late charges, interest, and associated costs of collection incurred by that prior Owner prior to the sale of transfer.
- (e) Section 10 and the following Section 11 are intended to reflect the California law concerning community Association assessment lien priority in effect as of the effective date of this Declaration. In the event that the applicable California laws are revised and the statute(s) addressing assessment lien priority apply to the Association, this section and section 11 may be revised by action of the Board to conform to the new statutory provisions concerning this subject without the necessity of a vote by all Owners.

4.8 Section 8. Priorities; When a Notice of Delinquent Assessment has been recorded, such notice shall constitute a lien on the Share prior and superior to all other liens or encumbrances recorded subsequent thereto, except (a) all taxes, bonds, Assessments and other levies which, by law, would be superior thereto, and (b) the lien or charge of any first mortgage of Record (meaning and record Mortgage or deed of trust with the first priority over other mortgages or deeds of trust) made in good faith and of value, provided that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first mortgage or deed of trust, or other prior encumbrance. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this article IV, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed against the Owner's Share.

ARTICLE V

Use of Properties and Restrictions

- 5.1 Section 1. Prohibition of Noxious Activities;** No illegal, noxious or offensive activities shall be carried out or conducted upon any Common Area nor shall anything be done within the Properties, which is of could become an unreasonable annoyance or nuisance to neighboring Owners. Without limiting the foregoing, no Owner shall permit noise, including but not limited to barking dogs, stereo amplifier systems, television systems, motor vehicles or power tools, to disturb any other Owner's or Guest's enjoyment of the Properties.
- 5.2 Section 2. Business Activities;** No Business or commercial activities of any kind whatsoever shall be conducted within the R-Ranch Properties without the prior written approval of the Board, provided that the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents. No signs shall be posted on the Properties without Board approval.
- 5.3 Section 3. Diseases and Pests;** No Owner shall permit anything or condition which shall include, breed or harbor infectious plant diseases, rodents or noxious insects.
- 5.4 Section 4. Use of Roadways in Common Area;**
- (a) Roadways within the Properties shall not be used for recreational purposes, including "joyriding" or racing Motorcycles, ATVs, mopeds and cars shall be allowed on such Roadways only for ingress and egress.
 - (b) All operators of motor vehicles, including motorcycles, within the properties must possess a valid California driver's license or valid driving permit.
 - (c) All provisions of the California vehicle code must be honored at all times when operation any motor vehicle within the Properties.
- 5.5 Section 5. Children;** Each Owner shall be personally responsible for the conduct, behavior and safety of their children and any children of guests visiting the R-Ranch and for any property damage caused by such children.
- 5.6 Section 6. Parking and Vehicle Restrictions;**
- (a) Unless otherwise permitted by the Association, no vehicle, recreational vehicle or trailer shall be left unattended within the Common Areas except in designated storage areas and in accordance with such rules that may be established by the board.
 - (b) Parking by commercial vehicles for the purpose of making deliveries or service calls shall be permitted in accordance with such rules as may be established by the Board.
 - (c) The Board shall have the authority to promulgate further reasonable rules and restrictions of uniform application regarding parking and vehicles within the Properties as may be deemed prudent and appropriate.
 - (d) All vehicles shall conform to the posted speed limit on Association roads or be subject to reasonable fines, which may be imposed by the Board.
- 5.7 Section 7. Use of Ranch;**
- (a) The Properties shall be used solely for ranching, grazing, hiking, camping, horseback riding, hunting, fishing, swimming, sports and other recreational uses authorized by the Association. However, the board has the right to lease or grant use of the Properties as long as it does not interfere with recreational use.
 - (b) No aboveground or underground structure or fixture of any kind or nature and no fences of any kind shall be permitted, created, maintained upon any portion of the Properties, except only the perimeter fences, without permission of the Board. No Owner or guest shall place, store or keep or permit to be placed, stored or kept, upon any portion of the Properties, any vehicle or any building materials of any kind or nature without the permission of the Board.
 - (c) No Owner shall hinder or obstruct the use and enjoyment thereof by any other such Owner or his or her guests for the purposes shown in section 7(a) above.
 - (d) No portion of the properties shall be used in such a manner as to obstruct or interfere with the Owners' enjoyment of the properties.
 - (e) A non-exclusive and reciprocal right and easement is reserved to the Owners of each Share to use and enjoy each and every portion of the properties designated for the purpose of camping, hiking, horseback riding, hunting, fishing, swimming, sports and other recreational uses authorized by the Association.
- 5.8 Section 8. Enforcement of Property Use Restrictions;** the objective of this Declaration shall be to promote and seek voluntary compliance by Owners with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of a property use infraction that does not necessitate immediate corrective action, the Owner

responsible for the violation shall receive written notice thereof shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the non-complying condition, request that the Owner corrects the condition within a reasonable time specified in the notice, advise the Owner or tenant of his or her appeal rights.

ARTICLE VI

Exterior Maintenance Responsibilities

- 6.1 Section 1. Common Areas;** The Association shall be solely responsible for all maintenance, repair, upkeep and replacement within the Common Area. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the common Area without prior written permission of the Board of Directors. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon Common Area without express approval of the Association.
- 6.2 Section 2. Recovery of Costs of Certain Repairs and Maintenance;** In the event that the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, his or her family, guests, or invitees, and is not covered or paid for by the Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of fine against the offending Owner to recover the costs expended by the Association.
- 6.3 Section 3. Cooperative Maintenance Obligations;** To the extent necessary or desirable to accomplish the Association's Maintained obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of its work.
- 6.4 Section 4. Drainage Structures, Ditches and Swales;**
- (a) All drainage structures, culverts and canals improved by the Association for the major collection of storm runoff and any natural drainage courses within Common Areas shall be maintained regularly by the Association.
 - (b) Except as provided in subparagraph (a) above, each Owner shall keep drainage courses, ditches and swales free and clear of all obstructions, and shall cooperate with the Association in their efforts to maintain all such drainage ditches, swales and culverts.
 - (c) No owner shall alter or obstruct a natural drainage course, or materially add to the Natural water volume of said drainage course.

ARTICLE VIII

Damage or Destruction

- 8.1 Section 1. Common Facilities; Bid and Determination of Available Insurance Proceeds;** In the event any Common Facilities are ever damaged or destroyed, then, an in such event, as soon as practical thereafter the Board of Directors shall (a) obtain bids from at least two reputable, licensed contractors, which bids shall be set forth in detail the work required to repair, reconstruct and restore the damaged or destroyed portions of the Common Facilities to substantially the same condition as they existed prior to the damage and the itemized price asked for such work, and (b) determine that the amount of all insurance proceeds available to the Association for the purpose of effecting such repair, reconstruction and restoration.
- 8.2 Section 2. Common Facilities; Sufficient Insurance Proceeds;** Subject to the provisions of this article XII, section 1 hereof, if, in the event of damage to or destruction of any portion of any Common Facility, the insurance proceeds available to the Association are sufficient to cover the costs of repair, reconstruction and restoration, then the Association may cause such facilities to be repaired, reconstructed and restored to substantially the same condition in which they existed prior to the loss, provided that in the event of a total destruction of the Common Facility, the Association shall not be obligated to restore the facility to its prior appearance and condition if, in the Board's opinion, architectural or design modifications to the damaged Common Facilities will result in providing the members with an improved facility available for substantially the same use and enjoyment as the destroyed Common Facility.
- 8.3 Section 3. Common Facilities; Insurance Proceeds Insufficient in an amount Exceeding \$10,000;** In the event that any Common Facility is totally or substantially damaged or destroyed or, if, in the event of damage to or destruction of only a portion of the Common Facilities, the insurance proceeds available to the Association are insufficient in an amount exceeding \$10,000 to cover the estimated cost of repair, reconstruction and restoration, the Owners of the Association entitled to vote, by simple majority vote, shall determine whether (a) to repair, reconstruct and restore the damaged Common Facility, and specially assess all Owners for such additional funds as may be needed for such purpose, or (b) not to repair, reconstruct or restore the damaged or destroyed Common Facilities but rather to utilize the insurance proceeds available for such reconstruction, together with any other sums otherwise available to the Association for such purpose, to demolish and remove the damaged or destroyed improvements from the Common Area and to level and landscape the sites thereof and apply any balance of such proceeds and/or funds as the members holding such voting power determine.

ARTICLE IX

Breach and Default

- 9.1 Section 1. Remedy at Law Inadequate;** Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable Servitudes contained in this Declaration are inadequate that the failure of any Owner to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or the Board of Directors, or by their respective successors in interest.
- 9.2 Section 2. Costs and Attorneys' fees;** in any action brought of any alleged breach or default of any owner or other party hereto under this Declaration, the court may award to any party in any such action such attorneys' fees and other costs as the court deems just and reasonable.
- 9.3 Section 3. Cumulative Remedies;** The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.
- 9.4 Section 4. Failure Not a Waiver;** the failure of an Owner, the board of Directors, the Association or its Officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations grants and easements, rights, rights-of-way, liens charges or equitable servitude contained in this Declaration shall not constitute a waiver of the rights to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its Officers or agents.
- 9.5 Section 5. Rights and Remedies of the Association.**
- (a) **Rights Generally;** In the event of a breach of violation of any Association Rule of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, the Board for and on the behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties , the pursuit of legal action, or the suspension of the Owner's right to use recreational Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided that the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this section 6.
- The Decision of whether it is appropriate or necessary for the Association to initiate enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as may exist by virtue of the California Civil Code section 1354 or otherwise by law.
- (b) **Schedule of Fines;** the Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring; in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special individual Assessment.
- (c) **Definition of "Violation";** A violation of governing Documents shall be defined as a single act or Omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance within the Common Area at the cost of the responsible Owner.
- (d) **Limitations of Disciplinary Rights;**
- (i) **Loss of Rights: Forfeitures;** The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Share due to the failure by the Owner (or his or her family, tenants, guests, or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association of the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements for subparagraph below.
- (ii) **Monetary Penalties or Fines;** Monetary penalties and fines imposed by the Association (a) for failure of a Member to comply with the Governing Documents, (b) as a means of reimbursing the Association for the costs incurred by the Association in the repair of damage to the Common Area of Common Facilities allegedly cause by

a Member, or (c) in bringing the Member and his or her Share into compliance with the Governing Documents, may not be characterized not treated as an Assessment which may become a lien against the Member's Share enforceable by a sale of the Share in non-judicial foreclosure, provided that this limitation on the Association's lien rights shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties or interest to reimburse the Association for the costs reasonably incurred (including attorneys' fees) in the Association's efforts to collect delinquent Assessments.

- (iii) **Hearings;** No penalty or temporary suspension of rights shall be imposed pursuant to this article unless the owner alleged to be in violation is given at least 15 days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed disciplinary action. If the offending Owner requests a hearing the request must be received by the Association in writing within 5 days following the Board notice.

Notwithstanding the forgoing, under circumstances involving conduct described below, the Board of Directors or its duly authorized agents may undertake immediate corrective or disciplinary action and on its own initiative, conduct a hearing as soon thereafter as reasonably possible. If the Association acts on its own initiative to schedule a hearing, notice of date, time and location of the hearing shall accompany the notice of disciplinary action.

Such actions constitute Immediate Board action are those that:

- (i) Constitute an immediate and unreasonable infringement of, or threat to, the safety of quiet enjoyment of Neighboring Owners;
- (ii) A traffic or fire hazard;
- (iii) A threat of material damage to, or destruction of, the Common Area or Common Facilities.
- (iv) A violation of the Governing Documents that is such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations).

If the accused Owner desires a hearing, written request thereof shall be delivered to the Association no later than 5 days following the date when the disciplinary action notice was mailed by first class mail. The hearing shall be held no more than 15 days following the date of the disciplinary action or 15 days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action, including but not limited to the suspension of water rights, shall be held in abeyance and shall only become effective if affirmed at the hearing.

- (f) **Notices;** Any notice required by this article shall, at a minimum, set forth the date and time for the hearing, a brief description of that action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice, provided that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the Association.
- (g) **Rules Regarding Disciplinary Proceedings;** The Board shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall be by resolution and shall become a part of the Association Rules and shall provide for notices and procedures satisfying the alternative dispute resolution requirements of Civil Code 1354 or comparable superseding statute.

9.6 Section 6. Court Actions- Arbitration;

- (a) Court actions to enforce the Governing Documents on behalf of the Association may only be initiated upon approval of the Board. Before initiating any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either of those actions coupled with a claim for monetary damages not in excess of \$5000), the Association shall first comply with the provisions of Civil Code 1354, or comparable superseding statute, relating to alternative dispute resolution requirements and all notices issues and procedures followed in the mediation process shall comply with specific requirements imposed by Civil code 1354.
- (b) If the Association and an Owner are unsuccessful at resolving any failure or alleged failure by the Owner or by the Owner's tenant to comply with any provision of Article VII ("Use of properties and Restrictions"), the dispute shall be submitted to, and conclusively determined by, binding arbitration in accordance with this subparagraph (c), provided, however, that the provisions of this subparagraph shall not preclude any party from seeking injunctive or other provisional or equitable relief in order to preserve the status quo of the parties pending resolution of the dispute, and filing of an action seeking injunctive or other provisional relief shall not be construed as a waiver of that party's arbitration rights.

The Arbitrators shall be selected by the parties from individuals affiliated with the Judicial Arbitration and mediation Service, Inc., The American Arbitrators Association or the list of arbitrators maintained by the County of Siskiyou. The Arbitration shall be conducted in Siskiyou County, California.

The parties shall submit to the arbitration all written, documentary, or other evidence and oral testimony as is reasonable necessary for a proper resolution of the dispute. Copies of all written submittals shall be provided to the arbitrator(s) and both parties. The Arbitrator(s) shall conduct such hearings as (s) he/they consider necessary, may require the submission

of briefs or points and authorities and may submit written questions to the parties. The Parties shall respond to such questions in writing. If a question is addressed to less than all of the parties, copies of the question and the answer thereto shall be served on other parties.

At the hearing, any party may present any relevant evidence and the formal rules of evidence applicable to judicial proceedings shall not govern. Evidence shall be in admitted or excluded in the sole discretion of the arbitrator(s). Except as provided above, the arbitration procedures set forth in the California arbitration act statutes (CCP 1282-1294.2) shall apply to the arbitration.

The arbitration shall proceed with due dispatch and a decision shall be rendered within 90 days after appointment of the arbitrator(s). The arbitrator(s)' decision shall be in writing and in form sufficient for entry of a judgment in any court of competent jurisdiction.

The arbitrator(s)' decision shall pertain, and shall be limited to, the granting or damages not to exceed any party's actual out-of-pocket expenses and the costs of undertaking and repairs, maintenance or reconstruction relating to the dispute and the award of any injunction or other equitable relief. In no event shall the arbitrator(s)' awards include any component for punitive or exemplary damages. Costs of the arbitration proceeding shall be borne as determined by the arbitrator(s).

ARTICLE X

No Public Rights in the properties

- 10.1** **Section 1.** Nothing in this Declaration shall be deemed to be a gift or a dedication of all or any portion of the Properties to the general public or for any public use or purpose whatsoever.

ARTICLE XI

Amendment of Declaration

- 11.1** **Section 1. Amendment of General;** This Declaration may be amended or revoked in any respect by the vote or assent by written ballot of 66 ½% of the Owners entitled to vote. Notwithstanding the foregoing, the percentage of the Owners necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

With respect to any vote hereunder the Association shall be entitled to accept the vote of any Owner of Record of a Share as a vote of all Owners of Record of such Share.

- 11.2** **Section 2. Amendments to Conform to Law;** The Board of Directors may by majority vote of all directors, adopt amendments to this Declaration when needed to conform to changes in applicable California statutory law which are non-discretionary in nature. Before entertaining a motion to approve any such amendment, the Board shall obtain a written opinion from the Association's legal counsel confirming that a change in California Statutory law requires a corresponding amendment to this Declarations and that the proposed amendment is an accurate statement of the underlying statutory requirement.

- 11.3** **Section 3. Effective Date of Amendment;** The amendment will be effective upon the recording in the Office of the Recorder of Siskiyou County a Certificate of Amendment, duly executed and certified by the president and secretary of the Association setting forth in full the amendment so approved and that the approval requirements of section 1, above, have been duly met. Notwithstanding anything to the contrary herein contained, no such amendment shall affect the rights of the holder of any first deed of trust or mortgage recorded prior to the recording of such amendment.

- 11.4** **Section 4. Reliance on Amendments;** Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XII

General provisions

- 12.1** **Section 1. Term;** The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitude contained in this Declaration shall run with, and shall benefit and burden the Shares and the Common Area as herein provided, and shall inure that the benefit of and be binding upon the owners, the Association, its board of Directors, and its Officers and agents, and their respective successors in interest, until January 1, 2021, after which time the same shall be automatically extended for successive periods of 10 years each unless, a recordable written instrument, approve by Owners entitled to vote and holding at least 2/3 of the voting power of the Association terminating the effectiveness of this Declaration shall be filed for recording in the offices of the County Recorder of Siskiyou County, California.

12.2 Section 2. Construction of Declaration;

- (a) **Restrictions Constructed Together;** All of the Covenants, conditions, and restrictions of this Declaration shall be literally construed together to promote and effectuate the fundamental concepts of the development of the properties as set forth in the recitals of this Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision thereof.
- (b) **Restrictions Servable;** notwithstanding the provisions of subparagraph (a) above, the covenants, conditions, and restrictions of this Declaration shall be deemed independent and servable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.
- (c) **Singular Includes Plural;** the Singular shall include the plural and the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include, as the context requires.
- (d) **Captions;** All Captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.
- (e) **Exhibits;** All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.
- (f) **Amended Statutes;** any reference in this Declaration or the bylaws to a statute shall be deemed to refer to any comparable superseding statute.

This First Restated Declaration of Covenants, Conditions, and Restrictions of the R-Ranch Property Owners Association is adopted pursuant to the unanimous affirmative vote of 66.4% of the Members eligible to vote at a meeting held on October 13, 1973.

R-Ranch Property Owners
Association



By Secretary

December 13, 1973

Date

FIRST RESTATED BYLAWS OF R-RANCH PROPERTY OWNERS ASSOCIATION

A CALIFORNIA NONPROFIT CORPORATION

Revised March 1, 2002
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**RESTATED BYLAWS OF
R-RANCH PROPERTY OWNERS ASSOCIATION**

ARTICLE I

Recitals and Definitions

- 1.1 **Section 1. Name of Association;** The name of this corporation is R-Ranch Property Owners Association and shall be referred to herein as the "Association".
- 1.2 **Section 2. Association Is Non-Profit;** The Association has been formed pursuant to the California Nonprofit Corporation Law.
- 1.3 **Section 3. Specific Purpose;** The specific and primary purpose of this Association shall be to assume and maintain ownership, operation and maintenance of such common areas within the real estate development are to be known as R-Ranch as may be conveyed to it; to develop, procure, supply, and deliver water for domestic use for Owners for Shares within the Properties or for the maintenance of the properties as determined by the Board; to enforce the Rules and regulations adopted from time to time by the Board of Directors; and to enforce the terms and conditions of the Governing Documents.
- 1.4 **Section 4. Definitions;**
 - (a) **County;** the term "county" means the County of Siskiyou, State of California.
 - (b) **Declaration;** the term Declaration means all conditions, covenants, and restrictions (CC&R's) set forth in the first restated Declaration of Covenants, conditions, and Restrictions recorded in the Office of Siskiyou County Recorder in the Official Records of said County or as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder's Office.
 - (c) **Office of the Recorder;** The term "Office of the Recorder" means Office of the Recorder, County of Siskiyou, State of California.
 - (d) **Person;** The term "Person" means and includes and individual, corporation, partnership, Association or other entity recognized by the laws of the State of California.
 - (e) **Voting Power;** The term "Voting Power" mean those members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time any determination of voting power is made.
 - (f) **Board;** the term "Board" means "Board of Directors of R-Ranch Property owners Association".
 - (g) **Written ballot;** The term "Written ballot" means a ballot distributed to members at a meeting for the purpose of conducting a vote of the members at such meeting or is mailed or otherwise distributes to every member entitled to vote.
 - (h) **Governing Documents;** The term "Governing Documents" means the Bylaws, Articles of Incorporation, and Covenants, Conditions, and Restrictions (CC&R's), and the Rules of the Association.
 - (i) **Member;** Each person or entity, or in cases of multiple ownerships, each persons or entity, who is an Owner of Record of a Share within the properties and whose rights, duties, obligations and privileges as a member are not suspended shall be a member of the Association. If more than one person owns a Share, only one of said persons shall hold only a single Membership in the Association. Only one of such multiple Owners shall be entitled to vote the membership as provided for in article III, section 3.
 - (j) **Easements;** An interest in land owned by another that entitles its holder to a specific limited use. The road and utility easements granted to the Association by the developer do not provide for the use by any Owner for other than the purpose which the easement was originally granted.
 - (k) **Definitions Incorporated by Reference;** The terms defined in the Declaration and all other Governing Documents shall have the same meaning when herein unless the context clearly indicates a contrary intention.
 - (l) **Primary User;** The designated Owner of a Share with Multiple Owners.

ARTICLE II

- 2.1 **Section 1. Location of Principal Office;** The principal office of the Association will be 225 Ditch Creek Rd, Hornbrook, California 96044, or at such place within the County of Siskiyou as the Board may from time to time designate by resolution or minute action.

ARTICLE III

Membership

- 3.1 **Section 1. Members of the Association;** Every Owner of a Share within the properties is a Member of the Association. Membership in the Association is Automatic and may not be separated from ownership of any Share. Each member shall be bound by the provisions of the Articles of Incorporation, Declarations, Rules and these Bylaws.
- 3.2 **Section 2. Terms of Membership;** Each owner who is a member shall remain a member until he or she no longer qualifies as such under Section 1 of this Article. Upon the sale, conveyance, or other transfer of an Owner's interest in a Share, the Owner's Membership interest shall automatically transfer to the Share's new Owner(s).
- 3.3 **Section 3. Shares with Multiple Ownership;** Ownership of a Share shall result in only a single membership vote in the Association. Accordingly, if more than one person owns a Share, all of these persons shall be deemed to be one member for voting purposes. The secretary of the Association shall be notified in writing by the owners of the Share of the Owner designated by his or her Co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received the secretary may accept the vote of any single multiple Owner or Record, by proxy or by ballot at the meeting, as the vote attributed to the Share in question, provided that if more than one of the multiple Owners of the Share attempt to vote the membership, the Secretary or other person(s) designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the Share.
- 3.4 **Section 4. Evidence of membership;** Evidence of Membership shall be established by the title records of the County Recorder of Siskiyou County, California and in the case of land contract sales, by records in the office of the corporation. A change of record title to a Share in the Association by the recordation of a deed to any such Share shall be conclusive evidence that the Owner named in said deed is a member of the corporation and the membership of the prior Share Owner shall be thereupon deemed transferred to the new Owner; provided, however, that a member who owns more than one Share shall continue to be a member as long as he legally owns a Share.
- If requested by the Secretary, the Share owner will provide the Association with evidence of such Ownership in the form of a copy of a recorded grant deed (certified by the Office of the County Recorder) or a currently effective policy of title insurance. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting, and eligibility for voting set forth in Article V, section 8.
- 3.5 **Section 5. Transfers of Membership Fee;** All transfers of Membership as a result of the sale of a property, other than a sale by the Association, shall be subject to a transfer fee to cover internal costs of changing all records and providing initial Ownership documents to the new Owners either directly or through the Seller.

ARTICLE IV

Membership Voting

- 4.1 **Section 1. Single Class of Membership;** The Association shall have one class of voting membership.
- 4.2 **Section 2. Member Voting Rights;** On each matter submitted to a vote of the members, whether at a meeting of the Membership called and held pursuant to the provisions of these bylaws or otherwise, each Member shall be entitled to cast one vote for each Share owned by such member. Any Share owner may attend and vote at such meeting in person or mail in tier absentee ballot. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in article III, section 3 of these Bylaws.
- 4.3 **Section 3. Eligibility to Vote;** Only members in good standing shall be entitled to vote on any issue or matter presented to the members for approval. In order to be in good standing, a member must be current in payment of all assessments and fines levied against the member's Share and not be subject to any suspension of voting privileges as a result of and disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with article V, section 8. the Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on basis of the nonpayment of assessments, although a delinquent member shall be entitled to request such a hearing in accordance with corporation Code 7341. A member who owns more than one Share shall be ineligible to vote if that member is delinquent with respect to any such Share.
- 4.4 **Section 4. Manner of Casting Votes;**
- (a) **Voting at membership meetings;** Voting at any membership meeting may be by voice, by hand or by written ballot, provided that the voting in any election of directors shall be conducted by secret written ballot.
- Every owner entitled to vote shall have the right to do so either in person or by ballot submitted prior to the meeting with the Secretary of the Association.
- The vote on any other issue properly before a meeting of the members shall be conducted by the secret written ballot only when determined by the chairman of the meeting to be in the best interest of the Association, at his or her discretion, or when requested by 10 percent of the voting power present at the meeting.
- (b) **Cumulative Voting;** Cumulative Voting shall not be permitted.

- 4.5** **Section 5. Majority Vote Required;** In the case of Director elections, if quorum is present, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected to the vacant Director positions.
- 4.6** **Section 6. Shares held by the Association;** Shares held by the Association cannot be voted for or against any candidate for the Board of Directors, any recall of the Board of Directors, or any issue that comes before the membership at any regular or special meeting of the members. However, Shares held by the Association can be used in order to establish a quorum at any meeting of the members,
- 4.7** **Section 7. Inspectors of Election;**
- (a) In advance of any meeting of member, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. When so appointed, Inspectors of Election may be members of the Association or disinterested persons with a high degree of demonstrated personal integrity and with some accounting skills. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of Members may, and on the request of any member or a member's ballot shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting . The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more members or ballots, the majority of members represented in person or by ballot shall determine whether on or three inspectors are to be appointed. In such case of any action by written ballot, the board may similarly appoint inspectors of election to act with powers and duties as asset forth in this section.
 - (b) the inspectors of election shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of absentee ballots, physically receive all ballots, votes or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result can do such acts as may be proper to conduct the election or vote with fairness to all members.
 - (c) The inspectors of election shall perform their duties impartially, in good faith, and to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Anny report or certificate made by the inspectors of election is *prima facie* evidence of the facts sated therein.
 - (d) The Board of Directors may authorize reasonable compensation for any Inspectors of Election so appointed,

ARTICLE V

Membership meetings

- 5.1** **Section 1. Place of Meeting;** meetings of the members shall be held within the Properties or at such other reasonable place within the County of Siskiyou and at such as may be designated by the Board in the notice of the meeting.
- 5.2** **Section 2. Annual Meeting;** there shall be an annual meeting of the members on the Saturday closest to the 4th of July of each year and shall commence at 1 p.m. The date and location of the meeting shall be established by the Board in the notice of the meeting.
- 5.3** **Section 3. Special Meetings;**
- (a) **Persons Entitled to Call Special Meetings;** A majority of the Board, the President or 5 percent or more of the members may call special meetings of the members at any time to consider any lawful business of the Association.
 - (b) **Procedures for Calling Special meetings Requested by Members;** If a special meeting is called by Members other than the Board of Directors or President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of this section 3, that a meeting will be held, and the date, time, location, and purpose of such meeting, which date shall not be less than 35 nor more than 90 days following the receipt of the request. If notice of the meeting is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.
- 5.4** **Section 4. Notice of Members' Meetings;**
- (a) **Requirement That Notice Be Given;** Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each member who is eligible to vote at the meeting as of the record date for notice established in accordance with Article V, section 8. The Association newsletter is an approved method of Membership meeting notification.
 - (b) **Time Requirements for Notice;** The notice of Membership meetings shall be given in a manner specific in subparagraph (e) of this section 4, no less than 10 or more than 90 days before the date of the meeting. If notice is given be mail and the notice is not given by first class registered, or certified mail, the notice shall be given not less than 20 days (nor more than 90) before the meeting.

- (c) **Minimum Requirements Regarding Content of Notice;** the Notice of any Membership meeting shall specify the place, date, and hour of the meeting. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted at the special meeting. In the case of a regular meeting, the notice shall also describe those matters that the Board of Directors, at the time of giving notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The Notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the members.
- (d) **Notice of Certain Significant Actions;** if any action is proposed to be taken at any Membership meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):
 - (i) Removing a Director.
 - (ii) Filling Vacancies on the Board of Directors under those circumstances where a vote of the members is required pursuant to Article VII, Section 6 of these Bylaws.
 - (iii) Amending the Articles of Incorporation, these Bylaws of the Declaration of this Association in any manner requiring approval of the members.
 - (iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm, or Association in which one or more of its directors has a material financial interest.
 - (v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration.
 - (vi) Voting upon any election to voluntarily terminate and dissolve the Association.
- (e) **Manner of Service;** Notice of any meeting of members shall be given either personally or by first-class mail, telegraphic, or other written communication, charges prepaid, addressed to each member 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, or the address maintained by the County Recorder as the address of record of the Share. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if notice is sent to that Member by first-class mail or telegraphic or other written communication to the address of record as carried is the County Recorder.
- (f) **Affidavit of Mailing;** An affidavit of Mailing or other means of giving any notice of any members' meeting may be executed by the Secretary of the Association or, upon his or her default, by any director, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute *prima facie* evidence of the giving of notice.

5.5 Section 5. Quorum Requirements:

- (a) **Quorum Requirements generally;** the following quorum requirements must be satisfied in order to take valid action at any meeting of the Members;
 - (i) **Quorum for votes on Assessment Increases.** In the case of any Membership meeting called or conducted for the purpose of voting on assessment increases requiring Membership approval the quorum requirements shall be a majority of the Members.
 - (ii) **Quorum for Valid Action on Other Matters.** In the case of any Membership meeting or a meeting called or conducted for any other purpose, the quorum requirement shall be twenty five percent (25%) of the members eligible to vote and represented in person or by ballot.
- (b) **Members Represented by Absentee Ballot;** members present at a meeting in person or by absentee ballot shall be counted toward satisfaction of the quorum requirements specified herein.

5.6 Section 6. Adjourn Meeting:

- (a) **Adjournment Generally;** Any member's meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than 45 days) by the vote of the majority of the members present at the meeting either in person or by absentee ballot. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.
- (b) **Notice of Requirements for Adjourned Meetings;** When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the forgoing, if after adjournment a new record date (see Article V, section 8), is fixed for notice or voting, a notice of the rescheduled meeting must be given to each member who on the record date for notice of the meeting is entitled to vote thereat.

5.7 Section 7. Waiver of Notice or Consent by Absent Members;

- (a) **Waivers and Consents Generally;** if decisions are made or an action is otherwise taken by the members at a meeting where a quorum is present, but for which proper notice was given to all members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting in person or by absentee ballot consents to the meeting by signing (i) and written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in article V, section 4(d), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents, or approvals shall be filed with the Association records or be made part of the minutes of the meeting.
- (b) **Effect of a Member's Attendance at a Meeting;** Attendance by a Member at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the member attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of the inadequacy or illegally of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein article V, section 4(d), if that objection is expressly made at the meeting.

5.8 Section 8. Record Dates for Member Notice; Voting and Giving Consents;

- (a) **Record Dates Established by the Board of Directors;** For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or absentee ballot, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the articles of incorporation, by agreement, or in the California Nonprofit Mutual benefit Corporation Law. The record dates established by the Board pursuant to this section shall be as follows:
 - (i) **Record date for Notice meetings;** in the case of determining those members entitled to notice of meeting, the record date shall not be more than 90 or less than 10 days before the date of the meeting.
 - (ii) **Record Date for Voting;** In the case of determining those members entitled to vote at a meeting, the record date shall be no more than 30 days before the date of the meeting.
 - (iii) **Record Date for Action by Written Ballot without Meeting;** In the case of determining members entitled to cast written ballots, the record date shall be no more than 60 days before the day on which the first written ballot is mailed or solicited.
 - (iv) **Record Date for Other Lawful Action;** In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than 60 days prior to the date of such other action.
- (b) **Failure to Fix a record Date;** if the Board for any reason, fails to establish a record date, the following rules shall apply:
 - (i) **Record Date for Notice of Meetings;** the record date for determining those members entitled to notice of a meeting of members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.
 - (ii) **Record Date for Voting;** the record date for determining those members entitled to vote at a meeting of members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.
 - (iii) **Record Date for Action by Written ballot without meeting;** the record date for determining those members Entitled to vote by written ballot on proposed Association actions without a meeting, when a prior action by the Board had been taken, shall be the day on which the first written ballot is mailed of solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.
 - (iv) **Record Date for Other Lawful Action;** The record date for determining those members entitled to exercise any rights in respect to any other lawful action shall be members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.
 - (v) **"Record Date" means as of Close of Business;** for purposes of this subparagraph (b) a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

ARTICLE VI

Membership Rights

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

- 6.1 Section 1. Use and Enjoyment of Common Areas by Members and Family;** Each Member and the Association members designated in CC&R's shall be entitled to the use and enjoyment of all Common Areas, roads, and Common Facilities within the properties.
- 6.2 Section 2. Assignment of Rights, Invitees and guests;**
 - (a) Assignment of Rights;** No member shall have the right to assign his or her rights as a Member to any other person.
 - (b) Invitees and Guests;** Invitees and guests of a Member shall have the right to use and enjoy the Common Areas, Common Facilities, and roads within the Properties according to the Rules of the Association and any CC&R requirements. Any such guest or invitee shall be subject to the same obligations imposed on the Owner to observe the rules, restriction, and regulations of the Association as set forth in the Governing Documents. At all times the Owner shall remain responsible for compliance by his or her guests and invitees with the provisions of the Governing Documents.
 - (c) Primary User;** Can only be changed once a year.
- 6.3 Section 3. Association Rules and Regulations;** the board shall have the power to make and adopt such rules and regulations, consistent with the law and governing documents, as it may deem advisable for the management of the business and affairs of the Association .
- 6.4 Section 4. Suspension of Membership Rights;** The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations, and restrictions as set forth herein, in the Declaration, and in the Association's published Rules and Regulations as promulgated by the Board from time to time. The board shall have the right to impose monetary penalties, to suspend the voting rights, and use and enjoyment for any Common Area and Common Facilities for the failure of a member to pay an Assessments of fines when due under the Declaration, or to comply with any other rule of regulation imposed upon such Member or his or her guests, pursuant to the Governing Documents, provided, however, that such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described In the Declarations.

Delinquent assessments shall be subject to the collection procedures detailed in the Declarations and such penalties as may be fixed by the Board.

ARTICLE VII

Board of Directors

- 7.1 Section 1. General Association Powers;** Subject to the provisions of the California nonprofit Corporation law, the Davis-Stirling Common Interest Development Act (Civil Code Sections 1350-1376) and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's board of Directors. Subject to the limitations expressed in Article X, section 1, the board may delegate the management of the activities of the Association to any person or persons, management company, of committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the board.
- 7.2 Section 2. Number and Qualification of Directors;** The Board of Directors shall consist of 7 persons who shall be Owners of Shares, and whose memberships are in good standing with all Assessments current and are not subject to any suspension of any membership rights. Said number may be changed by a duly adopter amendment to these Bylaws, except that in no event may the number under the ultimate direction of the Board.
- 7.3 Section 3. Term of Office;** the Directors of this Association shall serve for a term of 2 years with 4 directors elected in even years and 3 directors elected in odd years. Each director, including a director elected to fill a vacancy or elected at a special meeting of the Members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified. There shall be no limitation on the number of consecutive terms to which a director may be reelected.
- 7.4 Section 4. Nomination of Directors;** Individuals can become candidates for election to the Board of Directors in any of the following ways:
 - (a) By Request;** Individuals desiring nomination as a Director candidate may make a request of the Board and general manager to place their name in nomination by making written request to the board and general manager subject to 7.4(c) below.
 - (b) Petition Procedure;** A member can become a Candidate for election to the board by filing with the Secretary a petition in support of his or her candidacy signed by at least 2 percent of the voting power of the Association who are, themselves, in good standing with the all Assessments paid. The member circulation the petition shall append his or her written certification to the petition attesting to the validity of the Signatures.

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

7.5 Section 5. Election of Directors:

- (a) **Directors Elected at Annual Meetings;** At each annual meeting of the Members, the members present in person or by absentee ballot vote shall elect persons to the Board of Directors. The persons thus elected shall be selected from among those persons nominated pursuant to Article VII, section 4; however, if for any reason an annual meeting is not held or the directors are not elected at any annual meeting, the directors may be elected at any special meeting of the members held for that purpose.
- (b) **Determination of Election Results and Succession to Office;** the candidates receiving the highest number of votes shall be elected as directors and shall take office immediately following their election. In event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election; the tie shall be broken by vote of the remaining Directors.
- (c) **Organizational Meeting;** the organizational meeting of a newly elected Board of Directors shall be held immediately following the annual meeting of members for the purpose of organization, election of officers as specified in article XI, section 2, and the transaction of their immediate business. This meeting shall be open to all Members. Call and notice of this meeting is hereby dispensed within.

7.6 Section 6. Vacancies on Board of Directors:

- (a) **Vacancies Generally;** A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following:
- (i) the death, resignation, or removal of a director under paragraphs (c) and (d) below.
 - (ii) an increase of the authorized number of directors.
 - (iii) the failure of the Members, at any meeting of the members at which any director of directors are to be elected, to elect the number of directors to be elected at such meeting.
- (b) **Resignation of Directors;** Except as provided in this paragraph, any director may resign, and such resignation shall be effective on giving written notice to the President, the secretary, or the board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.
- (c) **Authority of Board to Remove Directors;** the Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has become of unsound mind by final order of the court, (ii) has been convicted of a felony, (iii) has been found by a final order or judgment of any court to have breached any duty under corporations Code sections 7233-7236 (relating to the standards of conduct of directors), or (iv) fails to attend 3 consecutive regular meetings of the Board of Directors that have been duly noticed in accordance with California law unless excused for cause.
- (d) **Authority of members to Remove Directors;** Except as otherwise provided in subparagraph (c) of this article VII, section 6, a director may be removed from office prior to expiration of his or her term only by the affirmative vote of the members. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:
- (i) A petition must be presented by first class mail to the president, Vice President, or Secretary of the Association and must carry the signatures of members in good standing who represented at least 5 percent of the voting power of the Membership. Such petition must be set forth for the reason(s) the petitioners are seeking the director's removal, the signature and Share number(s) of each petitioner in his or her own handwriting; and must fulfill all other requirements of the law as specified in Corporations Code 7222.
 - (ii) Within 20 days of such petition, the Board shall either call a special meeting or announce the procedures for conducting a written ballot of the members to vote upon the requested recall. Such meeting shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the board fails to set a date for, and give the members notice of, such meeting or written ballot within 20 days, the members initiating the petition may call such meeting on their own initiative without Board approval or sanction
 - (iii) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the Association or otherwise provided to all members, together with the recall ballot.
 - (iv) If the quorum requirement for a valid membership action is not satisfied, if the recall vote results in a tie, or if more than a majority does not vote affirmatively for removal, the removal action will have failed.

- (e) **Removal by Court Action;** The County Superior Court may, in response to a suit filed by any director or the lesser of 20 members or 5 percent of the members, remove any director determined to be guilty of fraudulent acts or gross abuse of authority or discretion with reference to the Association. The Association shall be made a party to any such action.
- (f) **Filling Vacancies;** Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director for cause, in which case the vacancy shall be filled by the affirmative vote of the majority of the members represented in person or by absentee ballot at a duly held meeting of the members at which a quorum is resent.
- (g) **Reduction in number of Directors;** No reduction of the Authorized number of directors shall have effect of removing any director before that director's term of office expires.

ARTICLE VIII

Board meetings

8.1 Section 1. Place of meetings; Regular and Special meetings of the Board of Directors may be held at any place within the Properties, at the principal office of the Association, or at such place within the County of Siskiyou as the board determines. Notwithstanding the above provisions of this section 1, a regular or special meeting of the Board may be held at any place consented to in writing by all board members, either before or after the meeting. If consents are given, they shall be filed with the Minutes of the meeting.

Any meeting, special or regular, may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

8.2 Section 2. Annual meeting of Directors; immediately following each annual meeting of members, the Board of Directors shall hold a regular meeting, open to all members, for the purposes of organization , election of officers, and the transaction of other business. Notice of this meeting shall hereby be dispensed within.

8.3 Section 3. Other Regular Meetings; Other regular meetings of the Board of Directors shall be held at least quarterly. However, regular meetings can be held as frequently as the Board's business justifies more frequent meetings.

Notice of the time and place of regular meetings shall be noted in the Association's meeting minutes, and shall be communicated to the Board members not less than 72 hours prior to the meeting; provided, however, that notice need not be given to any Board member who had signed a written waiver of notice or consent to holding the meeting as more particularly provided in article VIII, section 7.

Notice shall also be given at least 4 days in advance of any board meeting by posting all bulletin board and/or entrances to R-Ranch with a meeting notice stating the general nature of the items to be discussed, or by notification by mail to each owner, or by notification in the official newsletter of the Association.

8.4 Section 4. Special Meetings of the Board;

- (a) **Who may Call a Special Meeting;** the President may call special meetings of the Board of Directors, or if he is absent or refuses to act, by any Vice President or by any two directors.
- (b) **Notice of SpecialMeetings;**
 - (i) **Manner of Giving;** Notice of the time and place of special meetings of the board shall be given to each Director by one of the following methods: (a) by personal delivery of written notice; or (b) by first class mail, postage paid; (c) by telephone communication, neither directly to the director or to a person at the directors home or office who would reasonable be expected to communicate such notice promptly to the director; (d) by telegram charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Article VIII, section 7.
 - (ii) **Time Requirements;** Notices sent by first class mail shall be deposited in the United States mailbox at least 4 days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.
 - (iii) **Notice Contents;** The notice shall state Time, place, and purpose of the meeting.

8.5 Section 5. Attendance by Members;

- (a) **Meetings Generally Open to Members;** With the exception of Executive Sessions of the Board (see subparagraph (b), below) all meetings of the Board, including working sessions, shall be open to members of the Association. The board of Directors shall permit any Member of the Association to speak at any meeting of the Association or the Board, except the Executive Sessions. The Board of Directors shall establish a reasonable time limit for all Members of the Association wishing to speak. The agenda for the Board meetings shall include a specific time for Member questions and comments.

- (b) **Executive Sessions;** the Board, on the affirmative vote of the majority of the Directors present at a meeting at which a 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: (i) litigation in which the Association is or may become a party; (ii) personal matters; (iii) contract negotiations; or (iv) Member disciplinary proceedings when the accused Member has requested that the hearing be conducted in Executive Session. Before adjourning into Executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above.
- 8.6 **Section 6. Quorum requirements;** A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in article VII, section 8. Every act or decision done or made by a majority of the Directors present at the meeting duly held at which a quorum is present shall be regarded as the act of the board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (a) approval of contracts of transactions in which a Director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, by the Articles, or by Law.
- 8.7 **Section 7. Waiver of Notice;** Any action taken at any meeting of the board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present, individually or collectively, signs a written waiver of notice, a consent to holding a meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any Director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.
- 8.8 **Section 8. Adjournment;** A majority of the Directors present, whether or not constituting a quorum may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment, except as provided above, notice of adjournment need not be given.
- 8.9 **Section 9. Action without a Meeting;** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent(s) shall be filed with the minutes of the proceedings of the Board. If prompt of immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board Members regarding the proposed action in advance thereof, rather than relying on notification after the fact.
- 8.10 **Section 10. Compensation;** Directors, Officers, and Members of Committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by minute action or resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice

ARTICLE IX

Duties and Powers of the Board

- 9.1 **Section 1. Specific Powers;** Without prejudice to the general powers of the Board of Directors set forth in Article VII, section 1, the Directors shall have the power to:
- (a) Exercise all powers vested in the Board of Directors under the Governing Documents and under the laws of the State of California.
 - (b) Appoint or remove all Officers of the Association, the general manager or management company of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with the law, the articles of incorporation, and these Bylaws; and fix their compensation. The duty of hiring, firing, and salary administration of Association employees may be delegated to the General Manager or management company.
 - (c) Appoint such agents or trustees and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and establish their compensation.
 - (d) Adopt and establish Rules and Regulations subject to the provisions of the Declaration, governing the use of Common Areas, the Common Facilities, and roads within the Properties, and personal conduct of the members and their guests therein, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Area or Common Facilities; provided notice and a hearing are provided as more particularly set forth in article XVI, Section 6 of the Declaration. Rules and Regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.
 - (e) Enforce all applicable provisions of the governing Documents relating to the control, management, and use of the Shares within the Properties.

- (f) Contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the Association.
- (g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Common Area and Common Facilities and other portions of the Properties which the Association is obligated to maintain.
- (h) Constructing, leasing, marinating, and operating roads and water system facilities.
- (i) Maintaining, rebuilding, repairing, beautifying, operating, and otherwise caring for all Common Area components including but not limited to streets, buildings, landscaping, and recreational facilities.
- (j) Acquiring, owning, leasing, developing water, water rights or water bearing lands.
- (k) Contract for and pay for construction or reconstruction of any portion(s) for the Properties that have been damaged or destroyed and that are to be rebuilt by the Association.
- (l) Pay all taxes, utilities, special assessments and other assessments, and charges that are or would become a lien on any portion of the Common Areas.
- (m) Delegate its duties and powers hereunder to the officers, manager or Management Company of the Association, or committees established by the Board, subject to the limitations expressed in article X, Section 1.
- (n) Levy and collect Assessments from the members of the Association in accordance with the Declaration and/or the California Code and establish and collect reasonable use charges for any or all of the recreational Common facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocation among the users the cost of maintenance and operation thereof.
- (o) Perform all acts required of the Board under the Declaration.
- (p) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than quarterly intervals prepare a financial report as determined by the Treasurer, a copy of which shall be delivered to each member.
- (q) Acquiring, selling, assigning, transferring, leasing or encumbering any real or personal property owned by it.
- (r) Appoint such other committees, as it deems necessary from time to time in connection with the affairs of the Association in accordance with article X.
- (s) Fill vacancies on the board of Directors or in any committee, except a vacancy created by the removal of a Board member.
- (t) Open bank accounts on behalf of the Association and designate the signatories to such bank accounts.
- (u) Bring and defend actions on behalf of the Association to protect the interests of the members or the Association, as long as the action is pertinent to the operations of the Association, and assess the members for the cost of such litigation.
- (v) Enter all areas of the properties as necessary, in connection with construction inspections, enforcement of the governing documents or emergency repairs for the benefit of the Common Areas or Common Facilities. This provision shall be used only to protect property, the assets of the corporation, animals, or the health of the Owner.

9.2 Section 2. Limitations on Powers: Without the vote or written assent of a majority of the voting power of the members, the Board of Directors shall not take any of the following actions:

- (a) Enter into any Contract with a third party for the furnishing of goods or services to the Common Area of the Association for a term longer than One year. This restriction shall apply to:
 - (i) Approved Association management contracts provided that the terms of the contract allow for cancellation of the contract for failure to perform.
 - (ii) public utility contracts in which the rates charged for materials or services are regulated by the public utilities commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulate rate.
 - (iii) Prepaid casualty or liability insurance policies not to exceed three years duration, provided that the policies provide for shot-rate cancellation by the insured.
 - (iv) Agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five years duration.
 - (v) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five years duration.

- (vi) Leases of pasture or land where the lease does not interfere with recreational use.
- (b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 15 percent of the budgeted gross expenses or the Association for that year provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.
- (c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that year provided, however, that this limitation shall not apply to the sale or other disposition of improved or unimproved Shares acquired by the Association as deeds in lieu of foreclosure or in foreclosure proceedings.
- (d) Pay compensation to members of the Board of Directors or officers of the Association; provided that Directors and officers can be reimbursed for reasonable out of pocket expenses, verified in writing, incurred in the discharge of their duties.
- (e) Fill any vacancy on the Board of Directors created by the removal of a Director.
- (f) Any action to impose a special assessment or to increase the regular assessment if the circumstances require member approval under Article IV, of the Declaration, except as allowed under Civil Code 1366(b).
- (g) Any action to amend these Bylaws the articles of incorporation or the Declaration, except for any amendments permitted by board action alone pursuant to article XIII, section 4.2, below.

ARTICLE X

Committees

- 10.1 Section 1. Committees Creation and Staffing;** The board may, by resolution adopted by a majority of the Directors then in office, designate one or more committees, each consisting of two or more members (who may also be directors), to serve at the pleasure of the Board. Except as otherwise provided in such resolution, the board shall have the authority to appoint and remove Members of any approved committee. Each member of a committee shall serve until next annual meeting unless the committee shall be terminated sooner. Unless designated by the board, the committee members shall select a chairman from among its ranks by majority vote. The Board shall appoint membership vacancies in the committee. Committees shall have all the authority of the board with respect to matters within their responsibility, except that no committee, regardless of Board resolution, may:
- (a) Take any final action on any matter that, under California Nonprofit Corporation law, also requires approval of members.
 - (b) Fill vacancies on the board of Directors or on any committee that has been delegated any authority of the board.
 - (c) Amend or repeal Bylaws or adopt new Bylaws.
 - (d) Amend or repeal any resolution or of the Board of Directors that by its express terms is not so amendable or repeal able.
 - (e) Appoint any other committees of the board of Directors or the Members of those committees.
 - (f) Expend Association funds to support a nominee for Director after there are more people nominated for Director than can be elected.
 - (g) Approve any transaction (i) to which the Association is a party and one or more Directors have a material financial interest; or (ii) between the Association and one or more of its Directors or between the Association or any person in which one or more of its Directors have material financial interest.
- 10.2 Section 2. Meeting and Actions of Committees;** Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions or article IX of these Bylaws, concerning meetings of Directors, with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of Directors and its Members, except that the time for regular meetings of committees may be determined either by minute action or resolution of the Board of Directors or by minute action or resolution of the committee. The Board of Directors may also call special meetings of committees. Notice of special meetings shall also be given to any and all alternate Members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of a committee, shall be provided to each Director within 30 days of the meeting, shall be available to each member at his/her request, and shall be filed with the official records of the Association. The Board may not adopt rules inconsistent with the provisions of these Bylaws for the governance of a committee.
- 10.3 Section 3. Effect of Committee Actions;** Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a committee, all actions of any committee shall be considered advisory to the board and shall be scheduled on the agenda of the next Board meeting, following the committee's request for action or decision, for affirmation, rescission, or modification, as the board in its discretion deems appropriate.

ARTICLE XI

Officers

- 11.1 Section 1. Officers;** The officers of the Association shall be a President, a Vice President, a second Vice President, a third Vice President , a fourth Vice President, a Secretary , and a Treasurer. The Association may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of section 3. One person may hold two or more offices, except that of the President shall not also be a Secretary or a Treasurer.
- 11.2 Section 2. Election of Officers;** the officers of the Association shall be chosen annually by majority vote of the board immediately following the annual meeting of the members or the election of Directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.
- 11.3 Section 3. Subordinate Officers;** the Board may appoint, and my empower the president to appoint, such other officers as the affairs of the Association my require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the board may from time to time determine.
- 11.4 Section 4. Removal of officers;** Any Officer may be removed by the board with or without cause, at any regular or special meeting by affirmative vote of the remaining majority of the Board.
- 11.5 Section 5. Resignation of Officers;** Any officer may resign at any time by giving written notice to the board, or to the President, or to the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.
- 11.6 Section 6. Vacancies;** A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in the Bylaws, article VII, section 6, for regular appointments of such office.
- 11.7 Section 7. President;** The President shall be elected by the Board from among the Directors. He or she shall be the Chief Executive Officer of the Association and shall, subject to the control of the board, have general supervision, direction and control of the affairs and Officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of the President of a corporation, together with such powers and duties as may be prescribed by the Board or the Bylaws.
- 11.8 Section 8. Vice President;** The vice President shall be elected by the Board from among the Directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all restrictions upon, the President. He or she shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.
- 11.9 Section 9. Secretary;** The Secretary shall be elected by the board from among the Directors. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all the Meetings of the Directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice given, the names of those present at Director's Meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The secretary shall keep, or give cause to be kept, appropriate current records showing the members of the Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law, and he or she shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.
- 11.10 Section 10. Treasurer;** the treasurer shall be elected by the board from among the Directors. The treasurer, shall keep or cause to be kept and maintained, adequate and correct accounts of the Properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily including in financial statements. The books and records shall at all reasonable times be open to inspection by any Director or member in accordance with article XIII, section 1, and shall be available to all Members for inspection at every regular Board or membership meeting. 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 or she shall disburse, or cause to be disbursed, the funds of the Association as may be ordered by the board, shall render to the President and Directors, whenever they request in, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of the Bylaws.

ARTICLE XII

Member Assessment Obligations and Association Finances

- 12.1 Section 1. Descriptions of Assessments to Which Owners are Subject;** Owners of shares within the Properties are subject to Assessments. The Board of Directors may recommend an increase or decrease in the amount of the assessments, in accordance with changing financial requirements, but no increase or decrease may be made except upon a vote of no less than affirmative vote of two thirds of the members, or, the Board may impose regular assessment increases without approval of the Members if the increase does not exceed 20% over prior fiscal year assessments, as authorized by Civil Code 1366(b). In addition, Special Assessments, Which do not exceed 5% of the budgeted gross expenses of the Association, and fines as defined by Board resolution and as authorized by the governing documents, may be imposed or levied by the Board and are the obligation of the Owner. Delinquent assessments are subject to penalties and procedures as detailed in the Declaration and or policy resolutions of the Association.

- 12.2** **Section 2. Checks;** All Checks or demands for money and notes of the Association shall be signed by the President and treasurer, or by such other officer as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawals of funds from Association accounts shall be require the signature of two Directors per Civil Code 1365.5.
- 12.3** **Section 3. Operating Account;** There shall be established and maintained a cash deposit account to be known as the "operating Account" into which shall be deposited the operating portion of all regular and special Assessments as fixed and determined for all members, any fines, late fees, penalties, and interest on delinquent accounts, and any other income the Association may receive.
- 12.4** **Section 4. Reserve Accounts;** the board shall maintain a separate and distinct Restricted reserve account for replacement and/or repair of capital improvements and shall deposit into this account a percentage of the annual assessments as denoted by board resolution. The board may also open any of the accounts it shall deem necessary to carry out its purposes. All Association books or account shall be maintained in accordance with generally accepted accounting principles.
- 12.5** **Section 5. Budgets and Financial Statements;** The Following financial statements and related information for the Associate shall be regularly prepared and copies thereof shall be distributed to each Member of the Association as per Civil Code 1365 and 1365.5.
- (a) **Budget;** A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year and contain:
 - (i) The Association's estimated revenue and expenses on an accrual basis;
 - (ii) A Summary of the Association's reserves based on the most recent review or study conducted under Section 6, below, which must be printed in bold type and include all of the following:
 - (a) The Current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the properties that the Association is obligated to repair, replace, restore, or maintain (collectively called Association Capital projects)
 - (b) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital projects and the current amount of accumulated cash reserves actually set aside for Association Capital projects.
 - (c) The percentage of cash reserves actually set aside compared to the total reserves necessary computed by dividing the estimated amount of necessary cash reserves calculated under subparagraph (b), above into the current amount of accumulated cash reserves and multiplying by 100.
 - (iii) A statement as to whether the board of Directors has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component of the properties for which the Association is responsible, or to provide adequate reserves therefore.
 - (iv) A general statement setting forth the procedures used by the board of Directors in Calculating and establishing reserves to defray the future costs of repair, replace, or restore any major component of the Properties for which the Association is responsible, or to provide adequate reserves therefore. In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principle office and that copies will be furnished, upon request, to any Member of the Associations' expense. If a Member requests a copy of the complete budget, the Association shall mail the material, via first-class mail, within five days. The notice required hereunder shall be presented on the front page of the summary of the budget at least 10-point bold type.
 - (b) **Year-End Audit Report;** The Association's year-end Report consisting of at least the Following shall be distributes to members within 120 days after the close of the fiscal year, as per Civil Code 1365(b):
 - (i) A Balance Sheet as of the end of the fiscal year
 - (ii) An operating (income) statement for the fiscal year.
 - (iii) A statement of changes in financial position for the fiscal year.
 - (iv) A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized Officer of the Association that the statement was prepared without an audit from the books and records of the Association.
 - (v) A statement advising members of the place where the names and addresses of the current members are located.
 - (c) **Annual Statement Regarding Delinquency/Foreclosure Policy;** In addition to financial statements, the Board of Directors shall annually distribute within 60 days prior to the beginnings of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against members for defaults in the payment of Regular and Special Assessments including the recording and foreclosing of liens against members' Shares as stipulated in Civil Code 1365(d)

- (d) **Review of Accounts;** On no less than a quarterly basis, the Board shall:
- (i) Review a current reconciliation of the Association's operating accounts.
 - (ii) Review a current reconciliation of the Association's reserve Accounts.
 - (iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget.
 - (iv) Review the Association's latest account statements prepared by the financial institution(s) where the Association has its operation and reserve accounts.
 - (v) Review the Association's income and expense statement for the operating and reserve accounts.

12.6 **Section 6. Required Reserve Studies;** At least once every three years, the board must have a study of the reserve account requirements of the Association conducted if the current replacement value of the major components of the properties for which the Association is responsible under the Governing Documents is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required under this Section on an annual basis as part of the budgeting process and shall consider and implement necessary adjustments to the board's analysis of reserve account requirements as a result of that review. The reserve study required under this section shall be prepared in accordance with the requirements of Civil Code 1365.S (e) or comparable superseding statute.

ARTICLE XIII

Other required Disclosures to Members

As required by law, the following reports and/or disclosures shall be made or provided to the Members in compliance with the deadlines set forth below:

- 13.1 **Section 1. Annual Statement of Association's Collection Policy;** in addition to the budgets and financial statements described in article XI, section 3 above, the board of Directors shall annually distribute within 60 days before the beginning of the fiscal year a statement describing the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments, including the recording and foreclosing of liens against member's lots.
- 13.2 **Section 2. Notification to Members regarding insurance Coverage Maintained by the Association;**
- (a) **Scope of Required Summary Disclosure;** in accordance with California Civil Code Section 1365(e), within 60 days preceding the beginning of the Association's fiscal year, the Association shall distribute to its members a summary of the Association's property, general liability, and earthquake and flood insurance (if any) containing the information described in subparagraph (b) below.
 - (b) **Contents of Annual Insurance Summary;** the insurance summary required by subparagraph (a), above, shall include (i) the name of the insurer. (ii) the type of insurance. (iii) the policy limits of the insurance and (iv) the amount of the deductibles, if any. In addition, the summary shall include the following statement in at least 10-point boldface type:

This summary or the Association's policies of insurance provides only certain information, as required by Section 1365(e) of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice to the Association, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the Policies of insurance specified in this summary, the Association's policies of insurance may not cover personal property. Even if a loss is covered by the Association's insurance, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.
- To the extent that any of the information that is required in an annual insurance summary is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by providing its members with a copy of the Declaration page.
- (c) **Notification of Cancellation or Material Change in Policies;** In addition to distributing the insurance summaries described in subparagraph (a) of this Section, if any of the policies described in the summary lapse or are canceled and are not immediately renewed, or replaced, or if there is a significant change in the policies, such as a reduction in coverage or limits or an increase in the deductible, the Association shall, as soon as reasonably practical, notify its members of the lapse, cancellation, or significant change. This notice shall be sent by first class mail. If the Association received any notice of non-renewal of a policy described in subparagraph (a), the association shall immediately notify its members if replacement coverage will not be in effect by the date the existing coverage will lapse.
- 13.3 **Section 3. Disclosure of Right to Receive Board Minutes;** Members shall be notified in writing at the time that the pro forma budget required by article XXII, section 5, is distributed or at the time of any general mailing to the entire membership of the member's right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

- 13.4** **Section 4. Alternate Dispute Resolution (ADR) Disclosure;** On an annual basis, the board shall provide each member a summary of the provisions of Civil Code 1354, which specifically references Section 1354 and which includes the language required by Civil Code Section 1354(i). The Summary shall be provided to members either as part of the budget materials sent to the members under article XII, section 5, or in the manner specified in corporations code 5016.
- 13.5** **Section 5. Statement of Outstanding Charges;** Within 10 days following receipt of a written request by a member, the Association shall provide the Member with a written statement setting forth the following information as of the date of the Statement: (i) the amount of the Association's current regular and special assessments and fees, as well as any assessment levied upon the member's lot that are unpaid. (ii) true information on the amounts of any delinquent assessments, penalties, attorney fees, and other charges against the requesting member's Share that may be made a lien on that Share in accordance with Civil Code Section 1367. (iii) any change in the Association's current regular and special assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date of the statements.
- 13.6** **Section 6. Disclosure of Schedule of Fines or Other monetary Penalties;** if the Association adopts a schedule of fines of commonly recurring infractions of the Governing Documents or other policy imposing a monetary penalty of a fee on a member for violation of any Governing Document or the Association Rules, including any monetary penalty relating to the activities of a guest or invitee of a member, the Board shall arise whenever such a schedule or policy is adopted or subsequently amended.

- 13.7** **Section 7. Avoidance of Duplication in Reporting obligation;** to the extent one document distributed to the members under article XII or this article XIII provides the information required in more than one of the foregoing sections of this article and the time deadlines for proper distribution can otherwise be satisfied, any such requirements listed above may be satisfied by sending the members the same document.

ARTICLE XIV

Miscellaneous

- 14.1** **Section 1. Inspection of Books and Records**
- (a) **Member Inspection Rights;** As defined in corporations code 8333, all accounting books and records, minutes of proceedings of the members, the board and committees of the Board and the membership list of the Association shall tall times, during the business hours of 9 to 4, be subject to the inspection of any member or his or her duly appointed representative at the offices of the Association for any purpose reasonably related to the member's interest as such. Member's rights of inspection shall be exercisable on ten days written demand to the Association, which demand shall state the purpose for which the inspection rights are requested. In the case of the demands to inspect the Association's membership list, a member's inspection rights shall be subject to the Association's right to offer a reasonable alternative to inspection within ten days after receiving the Member's written demand (as more particularly set forth in Corporations Code Section 8330-8338). Members requesting copies of any corporate record shall be charged a reasonable fee for reproduction expenses.
 - (b) **Director Inspection Rights;** Every Director shall have an absolute right at any reasonable time to inspect all books, records, documents, and minutes of the Association at the physical properties owned by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at no cost to the Director.
 - (c) **Adoption of reasonable Inspection Rules;** the board of Directors may establish reasonable rules with respect to (i) notice of inspection. (ii) Hours and days of the week when inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by members.
 - (d) **Board Meeting Minutes;** the minutes themselves, minutes proposed for adoption that are marked to indicate draft statutes, or a summary of the minutes of any meeting of the Board of Directors, other than the minutes of any executive session, shall be available and distributed to all the members within 30 days following the regular Boar meetings . Members shall be notified in writing at the time that the pro forma budget required by article XII, Section 5(a), above. Is distributed, or at the time of any general mailing to the entire membership of the members right to have copies of the minutes of any board meeting and how and where those minutes may be obtained.
- 14.2** **Section 2. Management of the Association;** the Board may, from time to time employ the services of a manager or management firm to manage affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the board, the Board may delegate to the manager or management firm any of its day-to-day management and maintenance duties and powers under these bylaws and the Declaration, provided that the manager or management firm shall at all times remain subject to the general control of the board.
- 14.3** **Section 3. Parliamentary Procedures;** the Association shall conduct all Board and membership meetings according to a system of recognized parliamentary procedures adopted by a majority of the Directors. Such procedures shall be distributed to all owners at the time of adoption or modification. In the event of a dispute concerning the procedural aspects of any meetings, which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to these meeting rules.
- 1441** **Section 4. Amendment or Repeal of Bylaws by Members;** Except as otherwise expressly provided herein, these bylaws may be amended or repealed, and new Bylaws adopted, only by the affirmative vote or assent by written ballot of 50% of the Owners entitled to vote; except that this section 14.4.1 may not be amended or Altered.

Section 4. Amendment of Bylaws by Board of Directors; The Board of Directors may by a vote of a majority of all directors adopt amendments to these Bylaws when an amendment is needed to conform a particular provision or provisions of the Bylaws to changes in applicable California State statutory law which is nondiscretionary in nature. Before entertaining a motion to approve any such amendment(s), the Board shall receive a written opinion from the Association's legal counsel confirming that a change or changes in California statutory law necessitates a corresponding amendment to these bylaws to make the affected Bylaw provision(s) an accurate statement of the underlying statutory requirement, which the Association is bound by law to observe.

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

14.5 **Section 5. Notice or Requirements;** Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered 72 hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed as follows:

- (a) if to the Association or the Board of Directors, at the principal office of the Association as designated from time to time by written notice to the members.
- (b) if to a Director, at the address from time to time given by such director to the Secretary for the purpose of service of such notice.
- (c) if to a member, at the address from time to time given by such Member to the Secretary for the purpose of service of such notice, or, if no such address has been given, to the address shown on the records of the Recorder of Siskiyou County.

If any notice so addressed as above is sent to a Member and returned to the US Postal Service marked to indicate that the notice was undeliverable, all future notices shall be deemed to have been duly given without further mailing to that member for a period of one year, provided that the notice is available to the member upon written demand at the principal office of the Association. (Corporation Code 7511b)

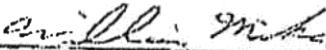
14.6 **Section 6. Insurance;** The Association shall have the power to purchase and maintain liability, fidelity and errors and omissions insurance on behalf of its directors, employees and other agents or trustees against liability asserted against or incurred by them in such capacity or arising out of their status as such.

14.7 **Section 7. Construction and Definitions;** Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual benefit Corporation Law shall govern the construction of these bylaws. All captions and titles used in these bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

14.8 **Section 8. Fiscal Year;** the fiscal year of the Association shall be the calendar year begin on the first day of January of Each and every year and shall end on the last day of December unless the Board shall designate a fiscal period ending other than December 31st.

Certificate of Secretary

The undersigned, Secretary of the corporation known as R-Ranch Property Owners Association, does hereby certify that the above and foregoing Restated Bylaws consisting of ____ pages, were duly adopted by written ballot of the Members of said Association on the ___ day of ___ 2023 and that they now constitute said Bylaws.



by Secretary - R-Ranch Property Owners Association

(CONTINUED FROM FRONT COVER)

Stock Cooperative Definition. A stock cooperate is defined by Civil Code § 4190 as follows: "A "stock cooperative" means a development in which a corporation is formed or availed of primarily for the purpose of holding title to, either in fee simple or for a term of years, improved real property, and all or substantially all of the shareholders of the corporation receive a right of exclusive occupancy in a portion of the real property ... " Again it is clear that in the R-Ranch situation a corporation does not own the development's property, the property is owned in tenancy in common by the owners except for interests not sold by the original developer which are held by the Association, and there is no right of exclusive occupancy in a portion of the real property.

R-Ranch is not within the Statutory Definition. For all the reasons stated above, R-Ranch is not subject to Davis Stirling. The CC&Rs for R-Ranch contain a definition of common area but that area does not meet the statutory definition under the Davis Stirling Act. The CC&Rs for R-Ranch do not even have provisions for separate interests as required by the Davis Stirling Act.

The California Department of Real Estate agrees that R-Ranch is not subject to the Davis Stirling Act. In 2008, Chris Neri of the California Department of Real Estate reviewed the R-Ranch at the Lakes governing documents and also considered the opinions of the Association's prior counsel Steve McCarthy. After considering the information presented, Mr. Neri concluded that R-Ranch at the Lakes was a "standard subdivision" and not a "common interest subdivision" because it had no separate property interests. This is equally true of R-Ranch.

The Honorable Laura Masunaga agrees that R-Ranch is not subject to the Davis Stirling Act: In 2012, both James Goguen and Art Bullock filed Cross-Complaints against R-Ranch alleging that R-Ranch failed to properly conduct elections pursuant to the I) Davis Stirling Act. In her written decision filed on January 28, 2013, Judge Masunaga concluded that R-Ranch was not subject to the Davis Stirling Act. Goguen and Bullock have appealed the decision. While the Bullock and Goguen matter is on appeal, R-Ranch will maintain the status quo and continue to conduct its business pursuant to the R-Ranch governing documents and without regard to Davis Stirling Act provisions that do not apply to R-Ranch and never have.

The Governing Documents will be enforced. Although Davis Stirling Act provisions are not automatically applicable to R-Ranch, the owners have adopted many Davis Stirling provisions in the governing documents of R-Ranch and these governing document provisions will and must be honored. In some cases, the governing documents of R-Ranch do incorporate certain California code provisions (e.g. Civil, Civil Procedure, and Corporations Code provisions). Those specific provisions apply to R-Ranch as specifically incorporated into our governing documents.

As Judge Masunaga noted (January 28, 2013): "The members in 1999 and 2002 did not expressly adopt the entirety of Davis Stirling. That would have resulted in a legal nullification. As defined with the act itself, Civil Code Section [4200] states a common interest development, subject to the act, is created when a separate interest, coupled with an interest in the common area or membership in the governing association, is or has been conveyed and requisite documents have been recorded. There are no separate interests in R-Ranch, and as provided in Civil Code Section [4200], Davis-Stirling does not apply."