

NOTICE

If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code by submitting a "Restrictive Covenant Modification" form, together with a copy of the attached document with the unlawful provision redacted to the county recorder's office. The "Restrictive Covenant Modification" form can be obtained from the county recorder's office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

RECORDING REQUESTED BY:

AND WHEN RECORDED MAIL TO:

DocuSigned by:
Julie D. Broussard
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1/23/2024 | 9:54 PM PST

RESTRICTIVE COVENANT MODIFICATION

The following referenced document contains a restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Government Code Section 12955, or ancestry, that violates state and federal fair housing laws and that restriction is void.

Pursuant to Section 12956.2 of the Government Code, this document is being recorded solely for the purpose of redacting and eliminating that restrictive covenant as shown on page(s) of the document recorded on _____(date) in book _____and page _____, or as instrument number _____ of the official records of the County of Solano, State of California.

Attached hereto is a true, correct, and complete copy of the document referenced above, with the unlawfully restrictive covenant redacted.

This modification document shall be indexed in the same manner as the original document being modified, pursuant to subdivision (d) of Section 12956.2 of the Government Code.

The effective date of the terms and conditions of this modification document shall be the same as the effective date of the original document.

Signature of Submitting Party: _____ Date: _____

____County Counsel, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, hereby states that it has determined that the original document referenced above contains an unlawful restriction and this modification may be recorded.

Or

____County Counsel, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, finds that the original document does not contain an unlawful restriction, or the modification document contains modifications not authorized, and this modification may not be recorded.

Approved:

by: _____ Date _____
Deputy County Counsel

Effective 7/1/22

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF _____)

On _____ before me, _____,
Notary Public, personally appeared

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct. WITNESS my hand and official seal.

Signature _____ (Seal)

-----OPTIONAL-----

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Government Code section 12956.1.

(a) As used in this section.

(1) "Association," "governing documents," and "declaration" have the same meanings as set forth in Sections 4080, 4135, and 4150 or Sections 6528, 6546, and 6552 of the Civil Code.

(2) "Redaction" means the process of rerecording of a document that originally contained unlawful restrictive language, and when presented to the county recorder for rerecording, no longer contains the unlawful language or the unlawful language is masked so that it is not readable or visible.

(3) "Redacted" means the result of the rerecording of a document that originally contained unlawful restrictive language, and when presented to the county recorder for rerecording, no longer contains the unlawful language or the unlawful language is masked so that it is not readable or visible.

(b) (1) A county recorder, title company, escrow company, real estate broker, real estate agent, or association that provides a copy of a declaration, governing document, or deed to any person shall place a cover page or stamp on the first page of the previously recorded document or documents stating, in at least 14-point boldface type, the following:

"If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code by submitting a "Restrictive Covenant Modification" form, together with a copy of the attached document with the unlawful provision redacted to the county recorder's office. The "Restrictive Covenant Modification" form can be obtained from the county recorder's office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status."

(2) The requirements of paragraph (1) shall not apply to documents being submitted for recordation to a county recorder.

(3) A title company, escrow company, or association that delivers a copy of a declaration, governing document, or deed directly to a person who holds an ownership interest of record in property shall also provide a Restrictive Covenant Modification form with procedural information for appropriate processing along with the document.

(c) Any person who records a document for the express purpose of adding a racially restrictive covenant is guilty of a misdemeanor. The county recorder shall not incur any liability for recording the document. Notwithstanding any other provision of law, a

prosecution for a violation of this subdivision shall commence within three years after the discovery of the recording of the document.

Government Code section 12956.2.

(a) (1) A person who holds or is acquiring an ownership interest of record in property that the person believes is the subject of an unlawfully restrictive covenant in violation of subdivision (l) of Section 12955 may record a document titled Restrictive Covenant Modification. A title company, escrow company, county recorder, real estate broker, real estate agent, or other person also may record the modification document provided for in this section. The county recorder may waive the fee prescribed for recording and indexing instruments pursuant to Section 27361 in the case of a restrictive covenant modification document. The modification document shall include a complete copy of the original document containing the unlawfully restrictive language with the unlawfully restrictive covenant language redacted.

(2) Beginning July 1, 2022, if a title company, escrow company, real estate broker, or real estate agent has actual knowledge that a declaration, governing document, or deed that is being directly delivered to a person who holds or is acquiring an ownership interest in property includes a possible unlawfully restrictive covenant, they shall notify the person who holds or is acquiring the ownership interest in the property of the existence of that covenant and their ability to have it removed through the restrictive covenant modification process. There shall be no presumption that a party providing a document has read the document or has actual knowledge of its content.

(3) Beginning July 1, 2022, if requested before the close of escrow, the title company or escrow company directly involved in the pending transaction shall assist in the preparation of a Restrictive Covenant Modification pursuant to this section, but the title company or escrow company shall have no liability associated with the recordation of a Restrictive Covenant Modification that contains modifications not authorized by this section on behalf of the requester.

(b) (1) Before recording the Restrictive Covenant Modification document, the county recorder shall submit the modification document and the original document to the county counsel who shall determine whether the language in the original document contains an unlawful restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry. The county counsel shall return the documents and inform the county recorder of its determination within a period of time specified in paragraph (2). The county recorder shall refuse to record the modification document if the county counsel or their designee finds that the original document does not contain an unlawful restriction as specified in this subdivision or the modification document contains modifications not authorized by this section.

(2) For documents recorded pursuant to subdivision (a), the period of time shall be a reasonable period of time, not to exceed three months, from the date the request for recordation is made, unless extraordinary circumstances apply.

(c) If a person requests to record a modification document, that person shall provide a return address in order for the county recorder to notify this person of the action taken

by the county counsel on the respective property. The notice required pursuant to this subdivision may be made on a postcard mailed by first-class mail.

(d) The modification document shall be indexed in the same manner as the original document being modified. It shall contain a recording reference to the original document in the form of a book and page or instrument number, and date of the recording.

(e) Subject to covenants, conditions, and restrictions that were recorded after the recording of the original document that contains the unlawfully restrictive language and subject to covenants, conditions, and restrictions that will be recorded after the Restrictive Covenant Modification, the restrictions in the Restrictive Covenant Modification, once recorded, are the only restrictions having effect on the property. The effective date of the terms and conditions of the modification document shall be the same as the effective date of the original document.

(f) A Restrictive Covenant Modification form shall be prepared and accepted for submission and recordation in all counties in substantially the following form:

RESTRICTIVE COVENANT MODIFICATION:

The following reference document contains a restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in Section 12955 of the Government Code, or ancestry, that violates state and federal fair housing laws and is void. Pursuant to Section 12956.2 of the Government Code, this document is being recorded solely for the purpose of redacting and eliminating that restrictive covenant as shown on page(s) ___ of the document recorded on _____(date) in book _____ and page _____ or instrument number _____ of the official records of the County of _____, State of California.

Attached hereto is a true, correct and complete copy of the document referenced above, with the unlawful restrictive covenant redacted.

This modification document shall be indexed in the same manner as the original document being modified, pursuant to subdivision (d) of Section 12956 of the Government Code.

The effective date of the terms and conditions of the modification document shall be the same as the effective date of the original document.

(Signature of submitting party)

_____ County Counsel, or their designee, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, hereby states that it has determined that the original document referenced above contains an unlawful restriction and this modification may be recorded.

Or

_____ County Counsel, or their designee, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, finds that the original document does not contain an unlawful restriction, or the modification document contains modifications not authorized, and this modification may not be recorded.

County Counsel

By:

Date:

(g) The county recorder shall make available to the public Restrictive Covenant Modification forms onsite in an appropriately designated area, or online on the county recorder's internet website, either of which shall be deemed to satisfy the requirement of paragraphs (1) and (2) of subdivision (b) of Section 12956.1 to provide a Restrictive Covenant Modification form if the procedural information for appropriate processing is attached to the form. Those forms shall permit multiple submissions on behalf of different homes and for processing homes in batches with respect to a modification document that affects multiple homes or lots. The forms shall also permit the submission of a restrictive covenant modification form for a homeowners' association or a common interest development to modify covenants, conditions, and restrictions that will correct unlawfully restrictive covenants for multiple dwellings within a subdivision.

(h) If a person causes to be recorded a modified document pursuant to this section that contains modifications not authorized by this section, the county recorder shall not incur liability for recording the document. The liability that may result from the unauthorized recordation is the sole responsibility of the person who caused the modified recordation as provided in subdivision (a).

(i) (1) A restrictive covenant modification that is approved by county counsel or their designee and recorded pursuant to this section removes the illegal covenant from all property affected by the original covenant regardless of who submits the modification.

(2) This section does not affect the obligations of the governing board of a common interest development as defined in Section 4100 or 6534 of the Civil Code if the board of directors of that common interest development is subject to the requirements of subdivision (b) of Section 4225 or of subdivision (b) of Section 6606 of the Civil Code.

(j) For purposes of this section, "redaction" and "redacted" mean the same as defined in Section 12956.1.

DocuSigned by:

Julie A. Broussard

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BYLAWS
OF
WOODLAKE HOMEOWNERS ASSOCIATION

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BYLAWS OF WOODLAKE HOMEOWNERS ASSOCIATION

Section 1. OFFICES

The principal office of Woodlake Homeowner's Association (the "Association") for the transaction of its business shall be located at _____, California, or at such other place as may be established, from time to time, by resolution of its Board of Directors.

Section 2. GENERAL

2.1 Reference to Declaration. All terms used herein which are defined in the Declaration of Covenants, Conditions and Restrictions for Woodlake (Horseshoe Lake Management) recorded on _____, as Document No. _____, in the Official Records of Solano County (the "Declaration") shall be used herein with the same meanings as defined in the Declaration.

2.2 Property. The provisions of these Bylaws are applicable to the Property described in the Declaration. The Property is a "planned development" within the meaning of Section 1351(k) of the California Civil Code, pursuant to the Davis-Stirling Common Interest Development Act.

2.3 Personal Application. All present or future Owners, and Owner's Parties shall be subject to the provisions set forth in these Bylaws. The mere acquisition or rental of any of the Lots of the Property or the mere act of use or occupancy of any of the Lots will signify that these Bylaws are accepted, ratified and will be complied with.

2.4 Interpretation. In case any of the Bylaws conflicts with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect; but all other Bylaws shall remain in full force and effect.

Section 3. MEMBERS

3.1 Membership; Voting Rights. Membership in the Association shall be determined in accordance with Section 4.2 of the Declaration. Voting rights (including classes of voting members) shall be determined as set forth in Section 4.3 of the Declaration.

3.2 Regular Meetings of Members. Regular meetings of Members of the Association shall be held annually. The first regular meeting of the Association shall be held within 45 days after the closing of the sale of the Lot which represents the 51st percentile interest authorized for sale under the original final subdivision public report for the Property if such public report authorizes the sale of 50 subdivision interests or more in the Property, and in any event no later than six months after the closing of the sale of the first Lot in the Property.³ Subsequent regular meetings shall be held, if possible, on the same day of the same month of each year thereafter at 7:00 P.M.; provided,

however, if said day is a Sunday or a legal holiday, the meeting shall be held at the same hour on the first day following said day which is not a Sunday or a legal holiday. Minutes of all regular meetings of the Members shall be made and kept in written form by the Secretary.

3.3 Special Meetings of Members.

(a) The Board shall call a special meeting of the Members in response to any of the following:

(i) *The vote of the Board.*

(ii) Receipt of a written request of Members representing at least five percent of the Total Voting Power of the Association.

(b) If a special meeting is called by Members, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be mailed postage prepaid or hand delivered to the President, any Vice President or the Secretary. Such request may be sent in writing in care of the Property Manager. The officer receiving the request shall cause notice to be promptly given to the Members, in accordance with the provisions of Section 3.5(a). If the notice 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.

(c) Minutes of all special meetings of the Members shall be made and kept in written form by the Secretary.

3.4 Location of Meetings. Regular and special meetings of Members of the Association shall be held at a place within the Property or as close thereto as possible as determined by the Board.

3.5 Notice of Meetings.

(a) **Mailing and Distribution of Notices.** Written notice of all meetings of Members of the Association, regular or special, shall be mailed postage prepaid or hand delivered to each Member at least ten days and not more than 90 days prior to the date on which the meeting is to be held. If the notice is mailed, but not by first-class, registered or certified mail, that notice shall be given at least 20 days prior to the date on which the meeting is to be held. If the notice is mailed, such notice shall be addressed to the Member's address last appearing on the books of the Association or supplied to the Association by such Member for the purpose of notice. A copy of such notice shall be posted continuously for ten days prior to the meeting at a prominent place or places within the Common Area. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

(b) **Contents of Notices.** Notices for Regular Meetings or Special Meetings shall: (i) specify the place, day and hour of the meeting; (ii) state, at a minimum, the general nature of any proposal(s): (A) to remove a Director without cause; (B) to fill vacancies on the Board by Members; (C) to amend the Articles or these Bylaws; or (D) as otherwise required by Section 7511(f) of the Corporations Code of the State of California (the "Corporations Code"); and (iii) state the

nature of the business to be transacted; provided that the failure to include any matter in the notice for a regular meeting shall not, in and of itself, preclude such matter from being presented for action by the Members unless Section 3.6 provides for a quorum of less than one-third of the Total Voting Power of Members at a regular meeting of the Members. If a quorum of less than one-third is provided in Section 3.6 and a meeting is actually attended, in person or by proxy, by less than one-third of the Total Voting Power, then, pursuant to Section 7512(b) of the Corporations Code, only matters the general nature of which was described in the notice for a regular meeting may be acted on at the meeting.

3.6 Quorum. *50% FOR ASSESSMENT = 112*
1/3 ANNUAL = 75
25% RECONVENED ANNUAL = 56

(a) Subject to the special formula for determining a quorum as set forth in Section 5.7.6 of the Declaration for voting relating to increases in the Regular Assessment or levying Special Assessments in excess of the authority of the Board, the presence at a meeting of Members entitled to cast, or of proxies entitled to cast, one-third of the Total Voting Power of the Association shall constitute a quorum for the transaction of business and for any action (except as otherwise provided in the Articles, these Bylaws or the Declaration). In the absence of a quorum, a majority of those Members present, in person or by proxy, may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum by those in attendance shall be to a date not fewer than five days nor more than 30 days from the original meeting date. Subject to Section 5.7.6 of the Declaration, the quorum for any such adjourned meeting shall be 25% of the Total Voting Power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

(b) The Members present at a duly called or duly held meeting of the Members of the Association at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum if any action taken (other than adjournment) is approved by at least a majority of the Total Voting Power of the Members required to constitute a quorum.

3.7 Proxies.

(a) Each voting Member may vote in person or by proxy. All proxies shall be in writing, signed by all the Owners of the Lot, and filed with the Secretary. No proxy shall be valid for more than three years after the date of its execution and no proxy shall be valid for more than 11 months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable, and any proxy shall automatically cease upon conveyance by the Owner of the Owner's Lot or other termination of membership. A proxy is not revoked by the death or incapacity of the maker or the termination of a membership as a result thereof unless, before the vote is counted, written notice of such death or incapacity is received by the Association.

(b) Any form of proxy distributed by any person to the Members shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

3.8 Informal Action by Members. Any action which may be taken by the vote of the Members at a meeting of the Members, except the election of Directors where cumulative voting is required, may be taken without a meeting if:

(a) A ballot setting forth the proposed action is distributed to all Members entitled to vote with respect to the subject matter thereof;

(b) The number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action;

(c) The number of votes consenting to the proposed action equals or exceeds the number of votes required at a meeting to authorize the proposed action; and

(d) Otherwise in compliance with Section 7513 of the Corporations Code, as from time to time amended, or successor statute.

3.9 Written Ballots. Any form written ballot distributed by any person to the Members shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the written ballot. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. A written ballot shall also provide a reasonable time within which to return the ballot to the Association.

3.10 Parliamentary Procedure; Order of Business. Meetings of the Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Board may adopt. At the commencement of each meeting and before the conduct of any business, the Board shall explain to the assembled Members the parliamentary procedures to be used during the meeting. The order of business at all meetings of the Members is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of Directors (at regular meetings or special meetings held for such purpose); (g) unfinished business; and (h) new business.

3.11 Members May Speak. Any Member of the Association shall be allowed a reasonable period of time to speak at any meeting of the Board or the Association except meetings of the Board held in executive session. The Board shall establish what constitutes a "reasonable" period of time before the time set aside for Members to speak.

Section 4. BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1 Number of Directors. Until the first regular meeting of the Members, the Association shall be governed and managed by a Board comprised of 3 Directors, who shall be elected by the Declarant and shall serve until the first regular meeting of the Members as provided by Section 3.2 of these Bylaws. Commencing with the first regular meeting of the Members, the affairs of the Association shall be managed by a Board of 3 Directors, who need not be Members of the Association.

4.2 Term of Office; Elections. At each regular meeting after the first regular meeting of the Members, the Members shall elect as many Directors as there are regular terms of office of

Directors expiring at that time. The Directors elected at any such succeeding election shall serve two year terms.

4.3 Directors Elected by Members of the Association. From and after the first regular meeting of the Members and so long as: (a) there are two outstanding classes of membership; or (b) a majority of the Total Voting Power resides in Declarant, 20% of the Directors shall be elected solely by the vote of Members other than Declarant. The procedure for the election of such Director(s) shall be as set forth in Section 4.4(d) of these Bylaws.

4.4 Nomination and Voting for Directors.

(a) **Nomination.** Nomination for election to the Board may be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman who shall be a Director and two other persons who shall either be voting Members of the Association or the designee of the Declarant. So long as there are two classes of membership, the Declarant shall be entitled to designate a member of the Nominating Committee and such designee shall be entitled to nominate a candidate for each Directorship to be voted upon by the Members. The Nominating Committee shall be appointed prior to each annual meeting and shall serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. Notwithstanding the foregoing, the first Nominating Committee shall be appointed by the initial Directors at least 30 days prior to the first regular meeting of the Members and shall be announced in the written notice of said first meeting.

(b) **Nomination from the Floor.** Nominations from the floor shall be accepted at the annual meeting.

(c) **Voting.** Election to the Board shall be by secret written ballot. The Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and these Bylaws. The persons receiving the largest number of votes for Director shall be deemed elected. If more than two Directors are to be elected, and one or more Members gives notice at the meeting and prior to the voting of his or her intention to cumulate votes, then each Member may cumulate the votes that he or she is entitled to cast and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which that Member is entitled to cast, or distribute the votes on the same principle among as many candidates as the Member thinks fit. No Member may cast cumulative votes for a candidate whose name is not placed in nomination prior to the voting.

(d) **Special Procedure for Member Elected Director.** If a Director is to be elected solely by vote of Members other than Declarant, then notwithstanding any provision of this Section 4.4 to the contrary, the following procedures shall apply:

(1) The Nominating Committee shall actively solicit one or more Members other than Declarant to stand for election to the Board both prior to the annual meeting and from the floor at the meeting.

(2) At the regular meeting, the Board shall announce the number of positions to be filled solely by the vote of Members other than Declarant, and the nominees to the Board shall, prior to the commencement of voting, announce whether they are standing for the Board positions to be filled by the

votes of Members other than Declarant or the positions which may be filled by the votes of all Members, including Declarant. The election for the position or positions to be filled solely by vote of the Members other than Declarant shall be held first. At its completion, any nominee not elected may announce that he or she wishes to stand for election to a position for which all Members may vote.

(3) Voting shall proceed as set forth in Section 4.4(c) above except that Declarant may not vote in such election. The nominee receiving the highest number of votes shall be deemed elected.

(4) The election to fill the Board position or positions open only to the vote of Members other than Declarant and/or the election to fill the position or positions open to the vote of all Members may be by straight or cumulative voting as provided in Section 4.4(c) above. The manner of voting may be different for each election. If cumulative voting is used to fill the positions open to the vote of all Members including Declarant, then the position or positions filled by vote only of Members other than Declarant shall not be considered in determining the number of cumulative votes available to each Member.

4.5 Removal from Office. Any Director may be removed from the Board, with or without cause, by a vote of a majority of the Total Voting Power; provided that a Director elected pursuant to Section 4.3 of these Bylaws may be removed prior to the expiration of his or her term of office only by the vote of a majority of the Total Voting Power of Members other than the Declarant. In the event of the death, resignation or removal of a Director, a successor shall be selected by the remaining Directors and shall serve for the unexpired term, unless said Director was elected pursuant to Section 4.3 of these Bylaws, in which case a special election and meeting of the Members of the Association and election shall be held to fill the Director's unexpired term. Unless the entire Board is removed from office by the vote of the Members, no individual Director shall be removed prior to the expiration of that Director's term of office if the votes cast against that Director's removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Directors were then being elected.

Section 5. MEETINGS OF DIRECTORS

5.1 Regular Meetings; Notice to Directors. Regular meetings of the Board shall ordinarily be held monthly at a time and place within the Property, or as near thereto as possible, as determined by the Board. Notice of regular meetings shall be posted at a prominent place or places within the Common Area and shall be communicated to the Directors not fewer than four days prior to the meeting; provided, however, that such notice need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate. A majority of the Board, by formal resolution, may elect to hold meetings less frequently than monthly so long as the business to be transacted by the Board permits. In no event shall regular meetings of the Board be held less frequently than every six months.

5.2 Special Meetings; Notice to Directors. A special meeting of the Directors may be called by written notice signed by the President of the Association or by any two Directors other than

the President. Said notice shall specify the time and place of the meeting and the nature of any special business to be considered. Said notice shall be mailed postage prepaid or hand delivered to all Directors, and posted in the same manner prescribed in Section 5.1 above for regular meetings not fewer than 72 hours prior to the scheduled time of the meeting; provided, however, that such notice need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

5.3 Actions Without Meetings. The Board may take actions without a meeting if all of the Directors consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three days after the written consents of all Directors have been obtained. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the explanation of the action by any means it deems appropriate.

5.4 Executive Session. The Board may, with the approval of a majority of the Directors present at a meeting in which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The Board shall also be entitled to meet in executive session in connection with the formation of contracts with third parties. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member and the Member shall be entitled to attend the portion of the executive session relating to the disciplinary action. The nature of any and all business to be considered in executive session shall first be announced in open session.

5.5 Quorum. Two members of the Board shall constitute a quorum for the transaction of business of the Board for any and all purposes.

5.6 Meetings Open to Members; Notice to Members. All regular and special meetings of the Directors shall be open to all Members of the Association, except meetings of the Directors held in executive session in accordance with Section 5.4 of these Bylaws. Members shall be given notice of the time and place of a meeting of the Board, except for an emergency meeting of the Board or a meeting held in executive session, at least four days prior to such meeting. Notice may be given by posting the Notice in a prominent place or places within the Common Area, by mail postage prepaid or hand delivery to the Members.

5.7 Minutes.

(a) The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be available to Members within 30 days of the meeting. The minutes, proposed minutes or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's cost in making that distribution.

(b) Any matter discussed in executive session of the Board shall be generally noted in the minutes of the Board.

(c) Members shall be notified in writing at the time that the pro forma budget referred to in Section 11.1(a) of these Bylaws is distributed (or, on an annual basis, at the time of any

other general mailing to the entire membership) of their right to have copies of the minutes of meetings of the Board and where and how those minutes may be obtained.

5.8 Emergency Meetings. An emergency meeting of the Board may be called by the President, or by any two Directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impossible to provide notice to Members as required by Section 5.6 of these Bylaws.

Section 6. POWERS, DUTIES AND LIMITATIONS OF THE BOARD

6.1 Powers of the Board. The affairs of the Association shall be managed by the Board. The Board shall have the following powers:

6.1.1 Exclusive Power. *Except as expressly otherwise provided herein, the powers and duties of the Association which are not by the Articles, these Bylaws or the Declaration reserved to Members shall be exclusively exercised and performed by the Board or such committees or officers as the Board may establish, elect or appoint pursuant to the provisions of the Bylaws. No individual Member may exercise any of the Association's powers or perform any of its duties without the express written consent of the Board.*

6.1.2 General Powers of the Board. Without limiting any powers of the Board conferred in the Governing Documents, the Board shall have the following powers:

- (a) To call meetings of the Members.
- (b) To appoint and remove at its pleasure all officers, agents and employees of the Association, prescribe their duties, fix their compensation (subject to the provisions of Section 6.3.3 of these Bylaws), and require of them such security or fidelity bonds as it may deem appropriate. Nothing contained in this Declaration shall be construed to prohibit the employment of any Member, Director or officer of the Association in any capacity whatsoever.
- (c) Subject to Section 5.7 of the Declaration, to establish, levy, assess and collect the Assessments necessary to carry on the Association's activities and to create reserves for extraordinary expenditures as it may deem appropriate.
- (d) To authorize and cause the Association, subject to Section 6.3.1 of these Bylaws to enter into management contracts and contracts for the day-to-day operation of the Association and the discharge of its responsibilities and obligations.
- (e) To propose, adopt, amend and repeal rules and regulations appropriate for the operation and management of the Property which are consistent with these Bylaws and the Declaration (as adopted, the "Rules"). The Rules may also govern (i) the use of the Common Area by Owners and Owner's Parties, including the right to restrict the use of certain land, facilities, area or structures to the Association or its officers, agents or employees; (ii) the conduct of Owners and Owner's Parties with respect to the Common Area; and (iv) the interpretation of provisions of, and terms used in, the Declaration (said interpretation shall be conclusively presumed to be correct so long as it is not inconsistent with the Declaration). After adoption, a copy of the Rules shall be furnished to each Owner. Owners shall be responsible for distributing the Rules to Owner's Parties.

(f) To delegate its powers to committees, officers or employees of the Association.

(g) To incur debt for the purpose of maintaining and improving the Common Area, and to encumber property of the Association as security for the repayment of such debt.

(h) To grant easements on, over, under, across and through the Common Areas for public utility and other purposes consistent with the provisions of the Declaration and the intended use of the Property as a planned development.

(i) To compromise, settle, release and otherwise adjust claims, demands, causes of action and liabilities affecting the Association and the Owners, provided the claim, demand, cause of action or liability arises out of or relates to development, design, construction, condition, repair or maintenance of the Common Area, and the Association shall make and receive all payments or other consideration necessary therefor or in connection therewith. For such purposes, the Board is irrevocably appointed attorney in fact to act on behalf of all Owners upon such terms and conditions and for such consideration as may be approved by a majority of the Board.

(j) Without limiting the generality of Section 6.1.2(i) above, to institute, defend, settle or intervene on behalf of the Association, subject to compliance with Section 1354 of the Civil Code, (as may be amended, repealed or replaced) in litigation, arbitration, mediation or administrative proceedings in matters pertaining to:

(i) enforcement of the Declaration or these Bylaws;

(ii) damage to the Common Areas; or

(iii) damage to any Lot if the damage arises out of, or is integrally related to, damage to the Common Areas.

(k) To perform any act reasonably necessary to resolve any civil claim or action through alternative dispute resolution proceedings such as mediation and binding or non-binding arbitration proceedings.

(l) To commence and maintain, in the name of the Association and on its behalf, or in the name and on behalf of any consenting Owner, actions for damages arising from, or to restrain and enjoin any actual or threatened violation of the provisions of the Declaration, the Articles, these Bylaws, the rules and regulations of the Association, the orders and awards of arbitration, or resolutions of the Board, or to enforce the provisions of the foregoing. In addition, provided that Notice and Hearing Requirements have been satisfied with respect to an accused Owner with regard to the alleged violation, the Board may (i) suspend the voting rights of an Owner; (ii) suspend the privileges of an Owner or its family, tenants or lessees, or their guests, invitees or licensees to use the recreational facilities located on the Property; or (iii) assess monetary penalties against any Owner for any violations of the provisions of the foregoing. In the event legal action is instituted by the Board pursuant to this Section, any judgment rendered in any such action shall include all costs of collection, court costs and reasonable attorneys' fees.

(m) Except as expressly otherwise provided herein or in the Declaration, the Board shall have the exclusive right and obligation to manage and administer the Common Area and

to contract for all goods, services (including security services) and insurance, payment for which is to be made from the Assessments.

6.1.3 No Active Business. The Board shall not conduct an active business for profit on behalf of the Association, the Owners, or any of them. The foregoing shall not preclude the Association, as lessor or licensor, from entering into leases or licenses for portions of the Common Area (including leases pursuant to which the lessee operates a childcare facility), or rental agreements which provide for profit sharing from vending machines or similar enterprises.

6.1.4 No Forfeiture or Abridgment. Notwithstanding anything to the contrary in these Bylaws or the Declaration, neither the Board nor the Association shall have the power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of its Lot and Residence, including access thereto over and across the Common Area, except when such loss or forfeiture is the result of a judgment of a court or a decision arising out of arbitration or on account of a foreclosure (judicial or under the power of sale herein granted) for failure of the Owner to pay the Assessments levied pursuant to the Declaration.

6.2 Duties of the Board. The Board shall have the following duties:

6.2.1 Association Duties. To properly perform all duties imposed on the Association by the Declaration.

6.2.2 Records. To keep a complete record of all its acts and corporate affairs, and to prepare budgets and financial statements for the Association.

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

6.2.4 Assessments. With reference to Assessments of the Association:

(a) To fix, levy and collect Assessments pursuant to the provisions of Section 5.7 of the Declaration;

(b) To approve the annual Budget and fix the amount of the Assessment against each Member for each assessment period at least 30 days in advance of such period;

(c) To prepare a roster of the Members and Assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member;

(d) To send written notice of each Assessment to every Member subject thereto;

(e) To issue certificates as required by Section 4.7 of the Declaration; and

(f) To establish bank accounts for the Association, consisting of separate accounts for: (i) that portion of the Regular Assessments and any Special Assessments to be expended for current operations; and (ii) that portion of the Regular Assessments and any Special Assessments to be held as reserves or applied for purposes for which reserves are collected. Special Assessments shall be deposited in the account reflecting the purpose for which the Special Assessment was levied.

6.2.5 Insurance. To contract for casualty, liability and other insurance on behalf of the Association with such coverages and at least in such amounts as required by the Declaration.

6.2.6 Vacancies. Subject to Section 4.5 of these Bylaws, to fill a vacancy or vacancies on the Board, except for a vacancy created by the removal of a Board member for cause.

6.2.7 Utilities. To acquire, provide and pay the costs of all water, sewer, gas, electric, telephone, garbage and refuse disposal, and other necessary utility services for the Common Area.

6.2.8 Discharge of Liens. To pay any amount necessary to bond or discharge any claim which may be or become a lien or encumbrance levied against the Property as a whole or the Common Area; provided, however, that where one or more Owners are responsible for the existence of such lien, they shall jointly and severally be liable for the cost of discharging it, and any costs incurred by the Association in connection with said lien or liens shall be charged against each such Owner and its Lot as provided in Section 5.4 of the Declaration, provided the Board shall first satisfy Notice and Hearing Requirements in respect of such Owner or Owners.

6.2.9 Operating Requirements. To obtain, provide or pay or any other materials, supplies, furniture, property, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Association is required to secure or pay by law, local requirement or pursuant to the terms of the Declaration, or as is necessary for the operation of the Property, or for the enforcement of the Declaration; provided, however, that if any such materials, supplies, furniture, property, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments are provided for particular Lots, the costs thereof shall, as is reasonable, be assessed to such Lots and the Owners thereof as provided in Section 5.4 of the Declaration or as provided in these Bylaws.

6.2.10 Notice. To provide written notice to each Member as may be required by applicable law, the Declaration or these Bylaws.

6.3 Limitations on Powers of the Board. The Board shall not take any of the following actions, except with the assent, by vote at a meeting of the Association (or by written ballot without a meeting pursuant to Section 7513 of the Corporations Code) of a simple majority of the Members other than the Declarant, constituting a quorum of more than 50% of the voting power of the Association residing in Members other than the Declarant:

6.3.1 Contracts. Entering into a contract with a third person to furnish goods or services for the Common Area, the Lots or the Association for a term longer than one year with the following exceptions:

(a) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

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

(c) Prepaid casualty and/or liability insurance policies not to exceed three years' duration provided that the policy permits for short-rate cancellation by the insured;

(d) Lease agreements for laundry room fixtures and equipment not to exceed five years' duration provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent or more;

(e) Agreements for cable television services and equipment or satellite dish services and equipment not to exceed five years' duration provided that the supplier is not an entity in which Declarant has a direct or indirect ownership interest of ten percent or more;

(f) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services not to exceed five years' duration provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent or more; and

(g) A contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty or other obligation upon 90 days' written notice to the other party.

6.3.2 Selling Association Property. *Selling, during any fiscal year, property of the Association having an aggregate fair market value greater than five percent of the budgeted gross expenses of the Association for that fiscal year. The foregoing limitation shall not include the granting of easements or approval of lot line adjustments for purposes not inconsistent with the development and use of the Property as a planned development, which may be granted by the Board in its reasonable discretion.*

6.3.3 Compensating Directors or Officers. *Paying compensation to Directors or officers of the Association for services performed, except that the Board may authorize reimbursement to a Director or officer for expenses incurred in carrying on the business of the Association.*

6.3.4 Delegating Board Powers. *Delegating by the Board of the power to levy fines, hold hearings or impose discipline.*

6.3.5 Incurring Excess Obligations. *Incurring aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent of the budgeted gross expenses of the Association for that fiscal year.*

Section 7. OFFICERS AND THEIR DUTIES

7.1 Enumeration of Officers. *The officers of the Association shall be a President, a Vice President, a Secretary, a Treasurer and such other officers as the Board may from time to time by resolution create. The President shall be a member of the Board, but other officers need not be. The officers need not be Members of the Association.*

7.2 Election of Officers. *The officers of the Association shall be elected by the Board at the first meeting of the Board following each annual meeting of the Members of the Association. New offices may be created and filled at any meeting of the Board. Each officer shall hold office until his or her successor has been duly elected and qualified.*

7.3 Vacancies. A vacancy in any office because of the death or resignation of an officer, or because of other termination of service of an officer, may be filled by the Board for the unexpired portion of the term.

7.4 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Such removal may, in the discretion of the Board, be given immediate effect. The acceptance of a resignation shall not be necessary to make a resignation effective. A resignation shall take effect on the date of receipt of the notice of resignation or at any later time specified therein.

7.5 Multiple Offices. Any two or more offices may be held by the same person, except the offices of President and Secretary.

7.6 Duties. The duties of the officers are as follows:

(a) The President shall preside at all meetings of the Directors, shall see that orders and resolutions of the Board are carried out and shall sign all notes, checks, leases, mortgages, deeds and other written instruments.

(b) The Vice President, or the Vice President so designated by the Board if there is more than one Vice President, shall perform all the duties of the President in the absence of the President. Each Vice President shall perform such other acts and duties as may be assigned to the office by the Board.

(c) The Secretary shall be ex officio Secretary of the Board, and shall record the votes and keep the minutes of all meetings of the Members and of all Board proceedings in separate books to be kept for those purposes. The Secretary shall sign all certificates of membership and shall keep all records of the Association. The Secretary shall record in a book kept for that purpose all the names of the Members of the Association together with their addresses as last submitted to the Association by each Member. Assistant Secretaries, if any, shall perform all the duties of the Secretary in the absence of the Secretary. The Assistant Secretaries, if any, shall perform such other acts and duties as may be assigned by the Board.

(d) The Treasurer shall receive and deposit in appropriate bank accounts or other accounts, as established and maintained pursuant to the Declaration, all monies of the Association and, subject to the signature requirements on checks as set forth in Section 5.8.2 of the Declaration shall disburse such funds as directed by resolution of the Board; provided, however, that a resolution of the Board shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer may, but need not, be a required signatory on checks and notes of the Association. The Treasurer, or an appointed agent, shall keep proper books of account and make or cause an annual report of the Association books to be made at the completion of each fiscal year. The Treasurer or an appointed agent shall prepare an annual budget and an annual balance sheet statement, and the budget and balance sheet statement shall be open for inspection upon reasonable request by a Member. Assistant Treasurers, if any, shall perform all the duties of the Treasurer in the absence of the Treasurer. The Assistant Treasurer shall perform such other acts and duties as may be assigned by the Board.

Section 8. COMMITTEES

The *Nominating Committee* shall be the *standing committee* of the Association. The Board may create such other committees as it deems advisable. Each committee shall consist of a chairperson and two or more members and may, at the Board's discretion, be required to include one or more Directors. Any committees, other than the *Nominating Committee*, shall be appointed by the Board, to serve until replaced by the Board. The *Nominating Committee* shall have the duties and functions described in Section 4.4 of these Bylaws.

Section 9. AMENDMENTS

9.1 Amendments. These Bylaws may be amended, so long as there are Class A and Class B Members, only by approval (by vote or written consent) of a majority of the Total Voting Power of each class of membership and, after conversion of the Class B membership to Class A membership, only with the approval (by vote or written consent) of Members representing a majority of the Total Voting Power of the Association and at least a majority of the voting power of the Association residing in Members other than Declarant. However, the percentage of voting power of each class of membership necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes, if any, required for action to be taken under said clause or provision.

9.2 Conflicts With Other Documents. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

9.3 Records of Amendments. Whenever an amendment to a Bylaw or a new Bylaw is adopted, a copy of the Bylaw as amended or adopted shall be inserted into the book of Bylaws in the appropriate place. If any Bylaw repeals any provision of the Bylaws, the date of the meeting at which the repeal was enacted, or written assent was filed, shall be stated in such book.

Section 10. DISPUTE RESOLUTION

10.1 Matters Submitted to Arbitration. Any dispute arising between Persons bound by the provisions of the Declaration (other than Declarant) may be submitted to arbitration so long as:

- (a) all such Persons agree to participate in such arbitration;
- (b) all necessary third parties agree or are legally obligated to participate in such arbitration; and
- (c) all participants in the arbitration stipulate as to whether the arbitration shall be binding or non-binding.

Unless the participants elect different procedures for conducting the arbitration, it shall be conducted as provided in Section 10.2 through Section 10.5, inclusive.

10.2 Arbitration Procedures.

- (a) Except as specifically set forth in the Declaration, all arbitrations arising under the Declaration or these Bylaws shall be conducted in accordance with the Commercial

Arbitration Rules of the American Arbitration Association, as then in effect, except as provided herein. The award of the arbitrator may include equitable relief.

(b) Unless the parties agree otherwise, any such arbitration shall be held in Solano County before one arbitrator who shall be selected by mutual agreement of the parties; if agreement is not reached on the selection of an arbitrator within 15 days after receipt of a demand for arbitration by the other party (the "Initial Selection Period"), then each party shall have 15 days from the expiration of the Initial Selection Period to select an arbitrator. The two arbitrators shall select a third arbitrator who shall arbitrate the dispute. If either party does not timely select an arbitrator, the arbitrator selected by the other party shall arbitrate the dispute.

(c) The parties shall provide each other with production of all requested documents and records reasonably related to the dispute in a manner that will minimize the expense and inconvenience of both parties. Discovery will not include depositions or interrogatories except as the arbitrator expressly allows on a showing of need.

10.3 Costs. The costs of arbitration shall be advanced equally by the parties to the arbitration. The prevailing party shall be entitled to, and shall receive, as part of the award, reimbursement for all costs, including its reasonable attorneys' fees and any costs advanced pursuant to this section, incurred in the arbitration proceeding and any subsequent judicial proceeding arising therefrom.

10.4 Commencement. An arbitration shall be commenced by the complaining party filing with the defending party a written "Request for Arbitration."

10.5 Alternative Dispute Resolution.

(a) Civil Code Section 1354 provides that, unless the applicable time limitation for commencing the action would run within 120 days, prior to the filing of a civil action by either an Owner or the Association solely for declaratory or injunctive relief, or for declaratory or injunctive relief in conjunction with a claim for monetary damages, other than Regular or Special Assessments, not in excess of \$5,000, related to the enforcement of this Declaration or the Bylaws, the parties shall endeavor to submit their dispute to a form of alternative dispute resolution such as mediation or arbitration. Notwithstanding the foregoing, the Association shall submit a dispute regarding Regular or Special Assessments of \$5,000 or less to alternative dispute resolution if the Member complies with the requirements and procedures of Civil Code Section 1366.3. Unless the parties agree to the contrary, if arbitration is the agreed form for the dispute resolution process, it will be binding unless the parties stipulate in a writing to the contrary. Any party to a dispute subject to this Section 10.5 may initiate the dispute resolution process by serving on another party to the dispute, a Request for Resolution. The Request for Resolution shall include (1) a brief description of the dispute between the parties, (2) a request for alternative dispute resolution, with a proposal as to the form (arbitration or mediation) the process is to take and (3) a notice that the party receiving the Request for Resolution is required to respond thereto within 30 days of receipt or it will be deemed rejected. Service of Request for Resolution shall be in the same manner as prescribed for service in a small claims action as provided in Section 116.340 of the Code of Civil of Procedure. If alternative dispute resolution is accepted by the party upon whom the Request for Resolution is served, the alternative dispute resolution shall be completed within 90 days of receipt of the acceptance by the party initiating the Request for Arbitration, unless extended by written stipulation signed by both parties.

The costs of the alternative dispute resolution shall be borne in equal shares by all of the parties thereto.

(b) Members shall be provided with a copy of the text of Section 10.5(a) above at the time the proforma operating budget is distributed, as provided in Section 11.1 of these Bylaws. In addition to the text of Section 10.5(a), the notice to the Members shall include the following statements:

(1) "Before issuing a Request for Arbitration pursuant to Section 10.5(a) of these Bylaws, the initiating party should review the provisions of Sections 1354(c) through (j) of the California Civil Code. These Sections describe a number of procedural considerations arising from the requirements of Section 10.5(a) of the Bylaws."

(2) "Failure by any Member to comply with the prefiling requirements of Section 1354 of the Civil Code may result in the loss of your rights to sue the Association or another Member regarding enforcement of the governing documents."

Section 11. BUDGETS AND FINANCIAL STATEMENTS

11.1 Financial Statements. Financial statements for the Association shall be regularly prepared. The Board of Directors shall distribute copies of the following documents to each Member, regardless of the number of Members or amount of assets of the Association:

(a) A pro forma operating budget, which shall include all of the following:

(i) *The estimated revenues and expenses on an accrual basis.*

(ii) A summary of the Association's reserves, based upon the most recent review or study conducted pursuant to Section 11.5 which shall 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.**

(B) **As of the end of the fiscal year for which the study is prepared:**

(1) **The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.**

(2) **The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components.**

(3) **If applicable, the amount recovered by the Association from either a compensatory damage award or settlement from any Person for injuries to real or personal property arising from construction or design defects, including the amounts expended for direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for**

which the study is prepared as separate line items under clause (2), above. In lieu of complying with the requirements set forth in this clause (3), an Association that is required to issue a review under Section 11.3 may include in such review a statement containing all the information required by this clause.

(C) The percentage that the amount determined for purposes of clause (2) of paragraph (B) above is of the amount determined for purposes of clause (1) of paragraph (B) above.

(iii) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor.

(iv) A general statement setting forth the procedures used by the Board for the calculation and establishment of reserves to defray the costs of future repair, replacement or additions to major components of the Common Areas and facilities for which the Association is responsible.

The pro forma operating budget shall be distributed annually not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year. The Association shall provide notice by first-class mail to the Owners of any increase in the regular or special assessments of the Association, not less than 30 nor more than 60 days prior to the increased assessment becoming due.

This Section 11.1(a) is intended to implement the pro forma operating budget requirements established by Section 1365 of the California Civil Code. To the extent that Section 1365 is amended or replaced, the provisions of this Section 11.1(a) shall be automatically amended and replaced by the new statutory provisions. Also, if the requirements set forth in Section 1365 are repealed, the provisions of Section 11.1(a)(ii) of these Bylaws shall no longer have any force or effect, but the remainder of this Section 11.1(a) shall remain in full force and effect.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of a Lot and an operating statement for the period from the date of the first closing to said accounting date shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by Lot number and street address, if any, and the name of the person assessed.

(c) An annual report consisting of the following shall be distributed within 120 days after the close of each fiscal year:

- (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 statement of the place where the names and addresses of the current members are located.

(v) A statement of: (A) any transaction (other than transactions approved by the Members) that took place during the previous fiscal year involving the Association and in which any Director, officers, or holder (or such holder's parent or subsidiary) of more than ten percent of the Total Voting Power (each, an "Interested Person") had a direct or indirect material financial interest, where such transaction involved more than \$50,000 or was one of a number of such transactions in which the same Interested Person had a direct or indirect material financial interest and such transactions in the aggregate involved more than \$50,000 (an "Interested Person Transaction"); and (B) any indemnification, loan, guaranty or advance aggregating more than \$10,000 paid or made during the previous fiscal year to any Director or officer pursuant to Section 7237 of the Corporations Code, as amended or replaced, provided that no such statement is required in the case of a loan, guaranty, or indemnification approved by the Members or a loan, guaranty, or indemnification not subject to Section 7235(a) of the Corporations Code.

In case of an Interested Person Transaction, the statement shall include the names of the Interested Persons involved in such transaction or transactions, state such Interested Person's relationship to the Association, the nature of the Interested Person's interest in the transaction or transactions and, where practicable, the amount of such interest; provided that, in the case of a transaction or transactions with a partnership of which such person is a partner, only the interest of the partnership need be stated.

(d) A statement describing the Association's policies and practices in enforcing lien rights and other legal remedies for default in payment of assessments shall be delivered annually to the Members together with the budget.

(e) In lieu of the distribution of the pro forma operating budget required by Section 11.1(a) above, the Board may elect to distribute a summary of the items described in Section 11.1(a)(i), Section 11.1(a)(ii), Section 11.1(a)(iii) and Section 11.1(a)(iv) above to the Members, together with a written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the Property and that copies will be provided upon request and at the expense of the Association. If any Member requests copies of the *pro forma operating budget including the items described in Section 11.1(a)(i), Section 11.1(a)(ii), Section 11.1(a)(iii) and Section 11.1(a)(iv) above to be mailed to the Member, the Association shall provide the copy to the Member by first-class United States mail at the expense of the Association and delivered within five days. The written notice that is distributed to each of the Members shall be in at least 10-point bold type on the front page of the summary of the statements.*

11.2 Summary of Insurance Policies; Notices.

(a) **Summary of Insurance Policies; Required Statements.** The Board shall distribute to Members, together with the pro forma operating budget if possible but in any event within 60 days preceding the beginning of each fiscal year, a summary of the insurance policies that the Association is required to maintain pursuant to Section 4.8 of the Declaration. This summary shall include for each policy: (i) the name of the insurer; (ii) the type of insurance; (iii) the policy limits of the insurance; and (iv) the deductibles, if any. The summary also shall include the statement required by California Civil Code Section 1365(e)(4). The Board shall accompany this summary with statements to the effect that the Board is or is not insured to the levels specified by California Civil Code Section 1365.9; that if not so insured, Members may be individually liable for the entire amount of a judgment; and that if the Association is insured to the levels specified in Section 1365.9, then Members may be individually liable only for their proportional share of assessments levied to

pay the amount of any judgment which exceeds the limits of the applicable insurance (and any deductibles).

(b) **Notices of Insurance Cancellation, Change, Reduction in Coverage, Nonrenewal.** As soon as reasonably practicable, the Board shall:

(i) notify the Members by first-class mail if (A) any of the policies required by Section 4.8 of the Declaration have lapsed or been canceled and have not thereafter immediately renewed, restored or replaced, or (B) there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of these policies;

(ii) immediately notify the Members that in the event the Board receives any notice of nonrenewal for any of the policies described in Section 4.8 of the Declaration, replacement coverage will not be in effect by the date the existing coverage will lapse.

11.3 External Audit. The annual report distributed to each Member in accordance with Section 11.1(c) above shall be accompanied by a review prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds \$75,000 or, regardless of gross income, if the Property contains 50 Lots or more. If the annual report is not accompanied by such a review (because the gross income does not exceed \$75,000 and the Property has fewer than 50 Lots), it shall be accompanied by the certificate of an authorized officer of the Association stating that the report was prepared without audit from the books and records of the Association.

11.4 Review of Financial Statements. Not less frequently than quarterly, the Board shall:

(a) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(b) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

(c) Review the current year's actual reserve revenues and expenses compared with the current year's budget.

(d) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.

(e) Review an income and expense statement for the Association's operating and reserve accounts.

11.5 Reserve Account Study. This Section 11.5 is intended to implement the reserve account study and review requirements established by Section 1365.5 of the California Civil Code. To the extent that Section 1365.5 is amended or replaced, the provisions of this Section 11.5 shall be automatically amended or replaced by the new statutory provisions. Further, if the limitations set forth in Section 1365.5 are repealed, the provisions of this Section 11.5 shall no longer have any force or effect.

If the current replacement value of the major components of the Common Area is equal to or greater than one-half (1/2) of the gross budget for any fiscal year, excluding any funds maintained in the Reserve Account, then at least once every three years, the Board shall cause a study of the reserve account requirements, as defined below, to be conducted, and the Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. At a minimum, the reserve account study shall include:

(a) A reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain;

(b) Identification of the major components of the Common Area which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years;

(c) Identification of the probable remaining useful life of the components identified in (b), above, as of the date of the study;

(d) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in (b), above, during and at the end of its useful life; and

(e) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component identified in (b), above, during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

The term "reserve account requirements" as used in this Section 11.5 shall mean: (1) the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain; and (2) the funds received by the Association and not yet expended or disposed from either a compensatory damage award or settlement from any Person for injuries to real or personal property arising from construction or design defects. The funds identified in clause (2) shall be separately itemized from the funds described in clause (1).

At least annually, the Board shall review all reports, recommendations and information disclosed by the inspections conducted pursuant to this Section 11.5 and shall consider such reports, recommendations and information during the preparation of any reserve account studies prepared as required by this Section 11.5, and any annual reviews of any such studies.

11.6 Other Statements.

(a) **Statement of Outstanding Charges.** Within ten days of a written request by a Member, the Association shall provide to the Member a written statement which sets forth the amounts of delinquent assessments, penalties, attorneys' fees and other charges against that Member's Lot. The Association may charge a fee for the statement, not to exceed the reasonable costs of preparation and reproduction of the statement.

(b) **Schedule of Monetary Penalties.** If the Board adopts a policy imposing any monetary penalty on or charging any fee to any Owner for a violation of the Governing Documents by that Owner or that Owner's Parties, the Board shall adopt a schedule of the monetary penalties

that may be assessed for those violations. The penalties must be consistent with the Governing Documents. A copy of the schedule shall be personally delivered or mailed by first-class mail, postage prepaid, to each Owner by the Board. Each time the schedule is modified, the Board shall again deliver a copy to each Owner, either personally or by first-class mail, postage prepaid.

Section 12. INSPECTION OF ASSOCIATION'S BOOKS AND RECORDS

12.1 Members' Inspection Rights. The Governing Documents, membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members and meetings of the Board and of committees of the Board, if any, shall be made available for inspection and copying by any Member of the Association or by the Member's duly appointed representative at any reasonable time and for any purpose reasonably related to the Member's interest as a Member, at the office of the Association or at such other place within the Property as the Board shall prescribe. Any Member, or First Mortgagee if an annual audit is conducted, may request an audit of the books of account at any time but shall bear the entire cost of any such audit.

12.2 Rules. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of records by the Member desiring to make the inspection.
- (b) Hours and days of the week when such an inspection may be made.
- (c) Payment of the costs of reproducing copies of any documents requested by the Member.

12.3 Directors' Inspection Rights. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and all physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

Section 13. MORTGAGEE PROTECTION

13.1 Notice to Association. An Owner who mortgages a Lot shall notify the Association, in writing, through the management agent, if any, or the President in the event there is no management agent, of the name and address of the Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots." Any such Owner shall likewise notify the Association, in writing, of the release or discharge of any such Mortgage.

Section 14. MISCELLANEOUS

14.1 Indemnification of Directors and Officers. The Board may authorize the Association to indemnify, defend and hold harmless any present or former Director, officer, member of any committee, employee or agent acting in their respective capacities.

14.2 Checks, Drafts and Documents. All checks, drafts, orders or payment of money, notes and other evidences of indebtedness issued in the name of or payable to the Association must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of Section 5.8.2 of the Declaration for withdrawing money from the Association's reserve accounts.

14.3 Execution of Documents. The Board may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Association by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Woodlake Homeowners Association, a California nonprofit mutual benefit corporation; and

That the foregoing Bylaws constitute the original Bylaws of said nonprofit mutual benefit corporation, as duly adopted by the Board of Directors thereof on the ___ day of _____, 200_.

SECRETARY