

**SECOND RESTATED  
BYLAWS  
of  
PINE MOUNTAIN  
LAKE ASSOCIATION**

**Final Property Owner Review Draft**

**RESTATED BYLAWS  
OF  
PINE MOUNTAIN LAKE ASSOCIATION  
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**SECOND RESTATED BYLAWS  
OF  
PINE MOUNTAIN LAKE ASSOCIATION**

**ARTICLE I  
Recitals and Definitions**

Section 1.01. Name of the Association. The name of this corporation is Pine Mountain Lake Association and shall be referred to herein as the "Association."

Section 1.02. The Association is Nonprofit. The Association is a California nonprofit mutual benefit corporation and is an association as defined by California Civil Code section 1351(a).

Section 1.03. Specific Purpose. These Second Restated Bylaws amend and restate in their entirety the Bylaws approved by the Association's Members on October 29, 1990, as amended August 20, 1994. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Area and Common Facilities within that certain common interest real estate development located in the County of Tuolumne, State of California, that is commonly known as Pine Mountain Lake, to enforce the Rules and Regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Association's Members and, subject to the Association Rules, their tenants, guests and invitees.

Section 1.04. Definitions.

(a) Board and Board of Directors means the Board of Directors of this Association duly elected in accordance with these Bylaws.

(b) County. "County" means the County of Tuolumne, State of California.

(c) Declaration. "Declaration" means the First Restated Declaration of Covenants, Conditions and Restrictions for Pine Mountain Lake, Recorded in the Official Records of Tuolumne County on August 14, 1970, as Instrument No.7855, as such Declaration may be supplemented, amended or modified by a duly Recorded subsequent Declaration, or amendment thereto.

(d) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of

Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in Section 5.05, below. Any Member may be represented at a membership meeting by proxy (see Section 4.05, below).

(e) Properties. "Properties" means all parcels of real property (Common Areas and Lots) included within any recorded Subdivision Map for Pine Mountain Lake, together with all buildings, structures, utilities, Common Facilities and other improvements now located or hereafter constructed or installed thereon and all appurtenances thereto.

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

(g) Other Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

#### Section 1.05. Order of Precedence.

(a) As Among the Governing Documents. In the event of any conflict in the Association Governing Documents, the order of precedence shall be: The Declaration; These Bylaws; and Association policies and rules as enacted by Resolution of the Board; as each of the above may be amended from time to time. The Articles of Incorporation and these documents shall hereinafter be referred to as the Governing Documents.

(b) Conflicts With Applicable Laws. In the event any Governing Document conflicts with Federal or State Laws and Regulations, or Judicial Determinations, such Laws, etc. shall prevail.

Section 1.06. 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 Davis-Stirling Common Interest Development Act and the California Nonprofit Mutual Benefit Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

**ARTICLE II**  
**Location of Principal Office**

The principal office of the Association will be located at such place within the Properties as the Board may from time to time designate by resolution.

**ARTICLE III**  
**Membership**

Section 3.01. Members of the Association. Every Owner of a Lot within the Properties is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot.

Section 3.02. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.01, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner.

Section 3.03. Multiple Ownership of Lots. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of said persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities in accordance with the Association Rules.

Section 3.04. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Association's secretary in writing that he or she is qualified to be a Member under Section 3.01 above, and, if requested by the secretary, has provided the secretary with evidence of such qualification in the form of a certified copy of a recorded grant deed 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 actions by written ballot and eligibility for voting set forth in Section 5.08, below.

**ARTICLE IV**  
**Membership Voting**

Section 4.01. Single Class of Membership. The Association shall have one class of voting membership comprised of Owners of Lots within the Properties.

Section 4.02. Member Voting Rights.

(a) Voting Rights Are Appurtenant to Lot Ownership (One Vote for Each Lot Owned). 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 Lot owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.03, above.

(b) Voting Rights When A Lot Has Several Owners. If a Lot is owned by more than one individual, or by a business entity or trust, the membership that is appurtenant to that Lot shall nevertheless have a single vote in the Association. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary of the Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one of the multiple Owners votes a membership, the Association secretary or the inspector of election shall be entitled to disqualify the vote of such co-Owners.

Section 4.03. Eligibility to Vote. Only Members in good standing shall be entitled to vote at any membership meeting. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lot(s) and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with Article XIV, Section 6 of the Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section 5.08, below. In all cases, the Association shall be obligated to conduct a hearing prior to the suspension of a Member's voting privileges, in order to suspend a Member's voting privileges and, if timely requested by the Member, to conduct a hearing on the matter. The Board shall not vote any Association owned or controlled properties in any Association election.

Section 4.04. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any Membership meeting shall be restricted to non-substantive matters. By way of example and not limitation, substantive matters include votes to elect or remove Directors, to approve amendments to the Governing Documents, to increase or impose Assessments, or any other matter that, by law, requires a vote of the Members (see generally, the matters listed in Section 5.04(d), below). Non-substantive matters include votes such as closing or limiting debate, adjournment or other matters affecting meeting procedures.

(b) Voting by Written Ballot. With respect to all substantive matters that require Member approval, including the election of directors, approval of the Members shall be solicited by the use of written ballot voting in accordance with Section 4.06, below.

(c) Proxy Voting. Except as expressly provided in Section 4.05 below, proxy voting shall not be permitted.

(d) Cumulative Voting. Cumulative voting shall not be permitted.

Section 4.05. Proxies. Although proxy voting shall not be permitted, the Association shall be authorized and empowered to solicit proxies from Members for the sole purpose of establishing a quorum at membership meetings.

Section 4.06. Action by Written Ballot Without a Meeting.

(a) Definition of Written Ballot. A "written ballot" is a ballot which is mailed or otherwise distributed to every Member entitled to vote on the matter and which complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) Written Ballots, Generally. Any matter or issue requiring the vote of the Members, including the election of directors, shall be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board, provided, however, that it is the intention of these Bylaws that written ballot voting be used with respect to any matter requiring Member consent or approval in order to afford all Members the most effective and efficient means of actively participating in the business and affairs of the Association. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 5.08(a)(iii), below) and distribute a written ballot to every Member who is entitled to vote on the matter as of the established Record Date for the written ballot vote. This distribution shall be made consistent with the time requirements specified in subparagraph (d), below. Nothing in this subparagraph (b) shall be construed as prohibiting a vote by the Members at a meeting on non-substantive matters as defined in Section 4.04(a), above.

(c) Content of Written Ballots.

(i) Director Elections. Written ballots used in any election of directors shall set forth the names of the candidates whose names have been

placed in nomination at the time the ballot is issued (see Article VII). The ballot form shall also provide a space where the Member of Record may designate a vote for another (write in) candidate. The ballot solicitation materials shall not include any recommendation for or against any candidate.

(ii) Other Matters. Any written ballot distributed to the Members of Record to vote on any matter or issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. If a recommendation for approval or disapproval is included in the ballot or solicitation material, one opposing recommendation of comparable length to the original recommendation must also be included if requested by a Member or Members of Record.

(iii) Quorum Only Provision. All written ballots shall provide a space for a Member of Record to abstain from casting a vote on an issue or for any candidate but to allow that ballot to be used only in establishing the quorum requirement for that election.

(d) Balloting Time Requirements.

(i) Director Elections. In the election of directors, the ballots shall be mailed to all Members of Record not more than forty-five (45) days prior to the date set for such election, but no less than twenty (20) days prior to such date. Members of Record must return their written ballots by mail or personal delivery to the address set forth in the solicitation materials for return of the ballots no later than the close of business on the last business day preceding the scheduled annual meeting date. If the ballots are not received by this time, they shall not be counted in the election.

(ii) Other Matters. Written ballots shall be distributed to all eligible Members at least thirty (30) days prior to the final date the written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting solicitation materials originally sent to Members and then for no more than two successive periods of thirty (30) days each.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall only be valid if: (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in Section 5.05, below), that would have been

required to be present at a membership meeting if such a meeting had been convened to vote on the proposal; and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(f) Solicitation Rules. Written ballots shall be solicited in accordance with Section 5.04, below; provided, however, that in accordance with section 7513 of the Corporations Code, the Board of Directors shall be authorized to send written ballots and related solicitation materials by electronic transmission to any Member who has consented to receipt of information in that fashion and responses may also be returned to the Association by electronic transmission (see also sections 20 and 21 of the Corporations Code). The solicitation accompanying the written ballot itself shall state the following:

(i) A statement describing the issue submitted for the Member's vote;

(ii) The date and time that a written ballot must be received (not sent) to be counted;

(iii) The percentage of responses needed to meet the quorum requirements; and

(iv) The name and address of the Inspector of Elections where the ballots are to be mailed or delivered.

(g) Additional Balloting Procedures. If deemed necessary by the Board, the written ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this section, as may be prescribed by the Board.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within thirty (30) days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

(i) Prohibition of Revocation. Once exercised, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures set forth herein shall not preclude the Association from also

conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

(k) Distribution of Written Ballots. Written ballots shall be distributed to all Members of Record either personally or by mail or other means of written communication, addressed to the Member at the address of the Member appearing on the books of the Association or given by the Member for purpose of notice.

#### Section 4.07. Recount Procedures

(a) Recount Request. Following announcement of balloting results, any Member with a petition signed by not less than one hundred (100) Members of Record may request a recount within ten (10) days following the announcement of results. Such petition shall be submitted to the Secretary of the Association or in his absence, the President or Vice President.

(b) Recount Conducted By Inspector of Elections. The President of the Association shall immediately authorize the recount procedure and notify the General Manager. The date and time of the recount shall be set no later than twenty (20) days after the announcement of the results in question. An Inspector of Elections designated in accordance with 7.05(c) shall conduct the recount.

(c) Recount Report. The Inspector of Elections shall submit a written report of the recount to the Board of Directors. This report shall detail the Unit and Lot number of those ballots accepted for tabulation and those rejected and the reason for rejection along with the recount results. To ensure the integrity of the secret ballot, no information revealing the content of any individual ballot shall be released.

(d) Recount Report Review and Final Determination. The Board, the Member requesting the recount, and his agent, and the Association legal counsel, if requested, shall review the recount report in Executive Session to determine the final election results. The final election results shall be reported to the Members.

(e) Recount Expenses. All expenses incurred by the recount, not to exceed one thousand dollars (\$1,000), shall be paid by the Member or Members requesting the recount, except in cases where the recount results in a change in the persons elected or in the proposals approved or disapproved. All expenses exceeding one thousand dollars (\$1,000), and all expenses in cases where the recount results in a change in the persons elected or in the proposals approved or disapproved, shall be paid by the Association.

(f) Changes Due to Recount. If, after a recount is conducted, a new director is found to have been elected by virtue of the recount, the new director shall immediately replace the director incorrectly designated as being elected before the recount took place. In addition, any election of officers by the Board of Directors, which took place prior to the recount, shall be invalidated and new elections of officers shall be conducted by the newly constituted Board within five (5) days after the recount.

## **ARTICLE V**

### **Membership Meetings**

Section 5.01. Place of Meeting. Meetings of the Members shall be held at the offices of the Association within the Properties or at such other reasonable place within the County and at such time as may be designated by the Board in the notice of the meeting.

Section 5.02. Annual Meeting. There shall be an annual meeting of the Members in August of each year. The date, time and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members in accordance with Section 5.04, below.

#### Section 5.03. Special Meetings.

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

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is requested by five percent (5%) or more of the 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 delivered personally or sent by first-class, certified or registered mail or by telegraphic or other 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 Section 5.04, below, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request.

If notice of the meeting is not given within the twenty (20) days after receipt of the Members' request, the Members 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.

(c) Actions Permitted to Be Taken at a Special Meeting. In accordance with Section 4.04(a), voting at meetings of the Members shall be limited to non-substantive matters as defined in that Section. All substantive matters requiring action by, or the consent of, the Members under the Governing Documents or by State law shall be acted upon and presented to the Members by use of written ballot voting in accordance with Section 4.06, above.

#### Section 5.04. 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 Section 5.08, below.

(b) Time Requirements for Notice. Except as otherwise provided in subparagraph (b), above, (with respect to the calling of meetings in response to a Members' petition) the notice of membership meetings shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice of any membership meeting shall specify the place, date, and hour of the meeting and: (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted; or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

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

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Section 7.06(d), below;
- (iii) Amending the Articles of Incorporation of the Association, these Bylaws or the Declaration in any manner requiring approval of the Members;
- (iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm or association in which one or more of its directors has a material financial interest;
- (v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either: (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office; or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time the notice is delivered to the Member personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the Member as specified above.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the secretary or the assistant secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence that proper notice was given.

#### Section 5.05. 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 or by written ballot in accordance with Section 4.06, above:

(i) Quorum for Votes on Assessment Increases. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval (see Article IV of the Declaration), the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code section 1366 or comparable successor statute. That quorum percentage is currently a majority of the Members.

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be thirty-four percent (34%) of the Members eligible to vote and represented in person or by proxy at the meeting or casting a written ballot.

(b) Members Represented By Proxy. Members present at a membership meeting in person or by proxy shall be counted towards satisfaction of the quorum requirements specified herein.

(c) Effect of Departure of Members From Meeting. The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

#### Section 5.06. Adjourned Meeting.

(a) Adjournment, Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than forty-five (45) days) by the vote of the majority of Members present at the meeting, in person or by proxy. Unless there is an absence of a quorum (in which case no business, other than a vote to adjourn the meeting, may be transacted), the reconvened meeting may take any action which might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date 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.

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting (in person or by proxy) consents to the meeting by signing: (i) a written waiver of notice; (ii) a consent to holding the meeting; or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Section 5.04(d), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein pursuant to Section 5.04(d), above, if that objection is expressly made at the meeting.

Section 5.08. Record Dates for Member Notice, Voting and Giving Consents.

(a) Record Dates Established By the Board of Directors. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. Any transfer or any membership on the books of the Association or change in Membership status after the record date shall not change the Members of record as established on the record date. The record dates established by the Board pursuant to this section must be in accordance with the following requirements:

(i) Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall not be more than ninety (90) days nor less than ten (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 not be more than sixty (60) 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 not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and

(iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action requiring Member approval, the record date shall not be more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members, shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(ii) 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 no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(iv) 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 to be the Member of record.

5.09 Saturday Meetings of Members. Due to the demographics of the Association the Annual meeting, all Special meetings of the Members, and at least one regular Board meeting per quarter shall be held on a Saturday.

## **ARTICLE VI Membership Rights**

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

Section 6.01. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her Family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas, roads and Common Facilities within the Properties.

Section 6.02. Tenants and Lessees.

(a) Assignment of Rights, Generally. Each Member shall have the right to assign his or her rights (other than voting rights) as a Member to a tenant residing within the Member's Residence. Such assignment shall only be effective so long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents. Without limiting the foregoing, reference is specifically made to Section 2.03 of the Declaration for additional tenant and lease restrictions.

(b) Effectiveness of Assignment. Assignment of an Owner's right to use the Common Facilities (other than roads) to a tenant or lessee shall not be effective until such time as the Owner-Member has given the secretary or the Association's property manager written notice thereof setting forth the name of the tenant and the members of his or her family who will reside in the Residence with the tenant and therefore be entitled to use and enjoy the Common Areas, Common Facilities and roads within the Properties.

(c) Restriction on Lessor's Use of Certain Common Areas and Facilities. During the period of any lease or rental of a Lot, any Owner-lessor who is not residing in some other Residence within the Properties shall not be entitled to use the recreational Common Areas or Common Facilities. However the non-resident Owner shall have full rights to access his or her Residence to perform the usual responsibilities of landlord, including ensuring the tenant's compliance with the Governing Documents.

Section 6.03. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the roads, Common Areas and Common Facilities within the Properties.. Any such guest or invitee shall be subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents.

Section 6.04. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and improvements thereon shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Declaration and in the Association's published rules and regulations as promulgated by the Board from time to time. The Board shall have the right to impose monetary penalties or to temporarily suspend the voting rights of a Member for a Member's failure of a Member to pay any Assessments when due under the Declaration or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents;

provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in the Declaration.

The Association shall not be empowered to cause an absolute forfeiture or abridgment of the right of a Member to the full use and enjoyment of any Common Areas and improvements thereon due to the failure by such person to comply with provisions of the Governing Documents except by judgment of a court or a decision arising out of arbitration or after a foreclosure or sale under a power of sale for failure of such person to pay Assessments duly levied by the Association.

The adoption of certain operating rules, as defined in Section 13.06, below, are subject to statutory obligations to first publish the proposed rules or rule changes to the Members, all as more particularly provided in Section 3.08 of the Declaration.

## **ARTICLE VII Board of Directors**

Section 7.01. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civil Code, §1350 et seq. as may be amended from time to time or in such comparable superceding statutes) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in Section 10.01, below, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 7.02. Number and Qualification of Directors. The Board of Directors shall consist of five (5) persons who shall be Owners of Lots within the Properties and whose memberships are in good standing with all Assessments current and are not subject to any suspension of membership rights. Only one (1) Owner per Lot shall be eligible to serve on the Board at any time.

### Section 7.03. Term of Office.

(a) Creation of Three Year Staggered Terms. The Directors of this Association shall serve for a term of three (3) years. In order to provide continuity and experience on the Board, directors shall serve on a staggered basis, with two

(2) directors being elected in the second year of the rotation and one (1) director being elected in the third year of the rotation. For purposes of this provision the year 2002 was the first year of the initial three-year rotation cycle.

(b) Limitation on Terms of Office. No director shall serve more than two (2) consecutive full three (3) years terms.

Section 7.04. Candidate Application Procedure and Requirements. A Member in good standing as defined in 4.03, above, hereof may become a candidate for election to the Board for any vacancy. Candidate applications shall be filed, along with a petition of candidacy signed by 2% of the members, and the payment of a filing fee, if any, with the Secretary no later than ninety (90) calendar days and no earlier than one hundred and twenty (120) calendar days prior to the annual election. Candidate applications shall include typical employment application information, the intent and reason for seeking election to the Board and a Resume of qualifications.

Section 7.05. Election of Directors.

(a) Directors by Written Ballot. The annual election of directors shall be conducted by written ballot in accordance with article IV hereof. The newly elected Directors shall take office to fill the number of positions on the Board then expiring commencing with the announcement of the election results at the annual meeting of Members.

(b) Determination of Election Results/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 the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by lot.

(c) Supervision of Election Process. In order to insure secrecy of ballots and fairness in the conduct of director elections, the Board shall employ the services of the Association's auditor or an independent outside agency that has experience in serving as an inspector of elections or in a similar capacity on behalf of municipalities to tabulate all ballots cast by Members of Record within the prescribed balloting period. The Inspector of Elections shall have all the powers granted to inspectors of election under section 7614 of the Corporations Code. The Board of Directors shall select the Inspector or Inspectors of election.

(d) The Board and the Management of the Association shall remain neutral in any director election. All candidates shall be afforded an equal opportunity in their respective election campaigns through the following:

(i) Neither the Board or any management employee of the Association shall endorse any candidate in the election;

(ii) The Association shall make available to each candidate an equal amount of space, with equal prominence, on the Association website and in the Pine Mountain Lake newspaper to be used by the nominee for a purpose reasonably related to the election;

(iii) The Association shall afford any candidate an opportunity to respond to any article, letter or posting on either the Association website or in the Association newspaper. This response shall be included in the same issue or at the same time of posting and shall be given equal prominence and space; and

(iv) The Association shall provide any candidate, upon written request, a complete mailing list of the Members or if requested, provide a mailing service for all material reasonably related to the election. All reasonable costs of production and/or mailing (including postage) shall be borne by the requesting nominee.

(e) The Inspector of Elections or his successor shall retain under seal all ballots from any election for a period of not less than one (1) year from the date of that election.

(f) If after the close of nominations, the number of candidates for the Board is not more than the number of directors to be elected, the Board may, without further action, declare those candidates elected.

#### Section 7.06. 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 pursuant to subparagraphs (c) and (d) hereof; (ii) an increase of the authorized number of directors; or (iii) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) Resignation of Directors. Except as provided in this subparagraph, any director may resign, which 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 been declared of unsound mind by a final order

of court; (ii) has been convicted of a felony; or (iii) fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law.

(d) Authority of Members to Remove Directors. Except as otherwise provided in (c) above, a director may only be removed from office prior to expiration of his term by written ballot conducted in accordance with Article IV hereof. Any Membership action to recall or remove a director shall be conducted in accordance with the following procedure:

(i) A petition signed by at least five percent (5%) of the Membership must be submitted to the Association. Such petition shall be delivered personally or sent by first-class, certified or registered mail or by telegraphic or other facsimile transmission to the president, any vice president, or the secretary of the Association. The petition must set forth the reason the petitioners are seeking the removal or recall.

(ii) 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 in writing, such rebuttal shall be mailed by the Association to all Members of Record, together with the recall ballot.

(iii) The quorum required for a valid Membership vote to remove or recall a director is thirty-four percent (34%) of the Members of Record. If this quorum requirement is not satisfied or if the vote results in a tie, the removal or recall action will have failed.

(e) Filling of Vacancies. Following the effective date of a vacancy on the Board of Directors, the remaining directors, by majority vote, shall appoint a successor director. A director who resigns from office is not eligible to vote on his successor or the successor to any other director resigning contemporaneously.

(i) Vacancies Created By Removal or Recall of a Director. In the case of a vacancy created by the removal or recall of a director, the vacancy shall be filled by a vote by written ballot in accordance with Article IV hereof. A director so elected, shall hold office for the balance of the term represented by the vacancy.

(ii). Appointments. A director appointed by the Board to fill a vacancy shall hold office until the next annual election of directors in which the time requirements for nomination under Article VII, 7.4 can reasonably be met. Thereafter, if there is a period of one year or more remaining in the term of office, the vacancy shall be filled by written ballot in accordance with Article IV hereof. The candidate receiving the largest vote count in any Director election shall choose the vacant director position the he wishes to fill. The candidate receiving

the next largest vote count shall have the choice of the remaining positions. This procedure shall continue in descending order until all the vacant positions are filled. If there are no candidates wishing to fill the unexpired term, the remaining directors shall appoint a director to fill the balance of the term.

(iii) Director Vacancies within 120 Days of a Director Election No Director vacancy shall be filled within one hundred-twenty (120) days of a regularly scheduled annual election of Directors.

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

Section 7.07. Ethics. The policy of the Association is not to transact business with any individual or entity in which a director, Officer or employee of the Association holds or stands to gain a material financial interest, with the following exceptions:

(a). Substantial Savings Offered. The Board of Directors, on a vote sufficient without counting the vote of any interested Director, in good faith and after reasonable investigation of other alternatives, determines that such individual or entity offers the Association a substantial savings compared to other reasonably available sources.

(b). Only Available Source. Such individual or entity is the only reasonably available source offering the services or product being procured.

(c). Written Justification. To transact business with such individual or entity, the General Manager shall make a written finding factually supporting the use of one of the exception in (a) or (b), above, and present such justification to the Board of Directors for their approval.

(d). Reduction in Number of Directors. A director shall not participate in any discussion or action by the Board concerning any matter in which the director stands to gain a material financial benefit exceeding that to be gained by a substantial percentage of the Membership.

Section 7.08. Material Financial Interest Defined. A material financial interest is defined as:

(a). Direct or Indirect Investment. A direct or indirect investment in a business entity, real property or a loan worth more than \$1,000.

(b). Income Source. Any source of income aggregating \$250 or more in value provided to, received by or promised to the director within twelve months prior to that time when the decision is made.

(c). Involvement in Entity. Any business entity in which the director, Officer or employee is a director, officer, partner, trustee, employee or holds any management position. An industry, trade or profession, or membership in a trade association does not alone constitute a material financial interest.

(d). Impairment of Judgment. Financial effects are material if they might reasonably be expected to interfere with a director's performance of his duties in an impartial manner free from bias.

(e). Indirect Investment or Interest. An indirect investment or interest means any investment or interest owned by the spouse or dependent child of the director, by an agent on behalf of the director or by a business entity or trust in which the director, the director's agents, spouse or dependent children own directly, indirectly or beneficially, a ten percent or greater interest.

Section 7.09. Disclosure. Within thirty (30) days following each Annual Meeting, or upon appointment to the Board, every director and Officer then holding office shall be obligated to disclose to the Board as a whole, any material financial interest as defined in 7.08 above, if any such interest would reasonably be expected to come within the purview of 7.07 through 7.09 hereof. All directors and Officers shall be obligated to update this disclosure and to keep it current at all times.

(a). Scope of Disclosure. The disclosures shall not only cover pending transactions, but also those investments, businesses or relationships which may reasonably be expected to be covered by 7.07 through 7.09 hereof during a director's or officer's term of office.

(b). Filed with General Manager. The disclosures shall be filed in the General Manager's confidential file thereby enabling him to implement the restrictions stated herein.

(c). General Manager's Disclosure. The General Manager shall also file a similar confidential disclosure with the President of the Board.

Section 7.10. Determination of Violations of Sections 7.07 Through 7.09. The Board shall rule on determination of violations of these restrictions. If a director is determined to be in violation, the Board may pursue enforcement remedies pursuant to Corporations Code §7233 and/or adopt a formal resolution censuring the director for the director's conduct. If the Board adopts such a

resolution, it shall be published in the Pine Mountain Lake News as part of the Board minutes.

## **ARTICLE VIII Meetings of the Board of Directors**

### Section 8.01. Place of Meetings; Meetings by Conference Telephone.

(a) Permitted Locations for Board Meetings. Except as otherwise provided in subparagraph (b), below, Regular and special meetings of the Board of Directors may be held at any place within the Properties or the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. The location of Board meetings shall ordinarily be within the Properties unless in the judgment of the Board a larger meeting room is required than exists within the Properties in which case the meeting room selected shall be as close as possible to the development.

(b) Circumstances When Meetings Can be Conducted by Conference Telephone or Other Electronic Means. Under those circumstances that qualify as grounds for conducting an emergency meeting (see Section 8.05(d), below) or conducting a meeting in executive session (see Section 8.06(c), below), but not otherwise, a regular or special meeting of the Board may be held by conference telephone, electronic video screen communications, or other communications equipment. Participation in a meeting through the use of conference telephone pursuant to this Section constitutes presence in person at the meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through the use of electronic video screen communication or other communications equipment (other than a conference telephone) constitutes presence in person at the meeting so long as each director participating in the meeting can communicate with all of the other directors concurrently and each director is given the means of participating in all matters coming before the board. Actions taken by the Board by means of a telephone conference or other permitted electronic means shall be posted in a prominent place within the Common Area in the same manner as actions taken by written consent pursuant to Section 8.10, below.

Section 8.02. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

### Section 8.03. Other Regular Meetings.

{Second Restated Bylaws Final Property Owner Review Draft}

(a) Scheduling and Notice. The Board shall establish a time and place for all regular meetings of the Board at least thirty (30) days in advance. Notice of such meeting shall be posted on the Association website, in the Association Office and on all Association bulletin boards within the Properties at least twenty (20) days in advance of any such meeting. The notice shall also be published in the Pine Mountain Lake News if time permits.

(b) Frequency. Regular meetings of the Board shall be held at least quarterly but may be held more frequently as required.

Section 8.04. Special Meetings of the Board. Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two directors.

Section 8.05. Notice of Board Meetings.

(a) Minimum Time Requirements for Giving Notice to Directors. In the case of any special meeting of the Board, and if the Board has not fixed the time and location for regular meetings and provided each director with the schedule for the conduct of regular meetings, notice shall be communicated to each Board member not less than four (4) days prior to the date of the meeting; provided, however, that if the meeting qualifies as an emergency meeting (Section 8.05, below) or is a special meeting that can be called in executive session (Section 8.06(c), below) the time for providing notice is forty-eight (48) hours prior to the meeting, unless notice is given by first-class mail in which case the four (4) day notice requirement remains in effect. Notice of a meeting of the Board need not be given to any director who has signed a waiver of notice or a written consent to the conduct of the meeting or an approval of the minutes of the meeting (whether before or after the meeting) or who attends the meeting without protesting, prior thereto or at the commencement of the meeting, the lack of notice to that director. All such notices shall be given or sent to the director's address, telephone number or email address as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any director who has signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Section 8.08, below.

(b) Manner of Giving Notice to Directors. Each director shall be entitled to receive notice of meetings by any one of the following means: by first-class mail, by personal delivery, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by facsimile, electronic mail, or other electronic means.

(c) Notice Contents. The notice of any meeting of the Board shall state the time, place, and purpose of the meeting.

(d) Members' Right to Receive Notice of Board Meetings. All Members of the Association shall be given notice of the time and place of all Board meetings (as defined in Section 8.06(a), below), except for "emergency meetings", at least four (4) days prior to the date of the meeting. This notice to the Members shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Member who has requested notification of Board meetings by mail (with the notice sent to the address requested by the Member). Notice may also be given by mail or delivery of the notice to each Lot within the Development, or by newsletter or similar means of communication. For purposes of this Section 8.05, an "emergency meeting" of the Board means a meeting called by the president or by any two members of the Board under circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act (see Section 8.06, below).

In addition to the foregoing general notice requirements for Members, if a particular Member or Members are scheduled for possible disciplinary action on the agenda for a Board meeting, the Board must notify the subject Member(s) in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the date of the meeting. Any such special notice of possible disciplinary action must contain, at a minimum, the date, time and location of the meeting, the nature of the alleged violation for which the Member(s) is/are being considered for disciplinary action, and a statement that the Member(s) has/ have a right to attend the meeting and address the Board concerning the disciplinary matter.

Section 8.06. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the California Common Interest Development Open Meeting Act (Cal. Civil Code, §1363.05):

(a) Meetings Generally Open to Members; Definition of What Constitutes a "Meeting". With the exception of executive sessions of the Board (see subparagraph (c), below) and any meetings conducted by conference telephone (under the circumstances stated in Section 8.01(b), above), any member of the Association may attend meetings of the Board of Directors; provided, however, that non-director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting. For purposes of the Open Meeting Act, the term "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) Right of Members to Speak at Meetings. The Board of Directors shall permit any Member to speak at any meeting of the Members or of the Board of Directors, except for Board meetings that are held in executive session pursuant to subparagraph (c), below. Reasonable time limitations can be imposed by the Board or the chairman of the meeting on presentations or statements by Members and, in the case of Board meetings, the agenda for the meeting can designate a specific time for Member statements and comments.

(c) Executive Sessions. The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss: (i) litigation in which the Association is or may become a party; (ii) matters relating to the formation of contracts with third parties; (iii) Member discipline; (iv) personnel matters, (v) or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments, as specified in Section 1367.1 of the Civil Code. The Board must meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline and the Member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership.

(d) Board Meeting Minutes. 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 of Directors, other than minutes of an executive session, shall be available to the Members within thirty (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 costs in making that distribution.

Section 8.07. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 8.09, below. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) 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, the Articles or by law.

Section 8.08. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8.09. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

Section 8.10. 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 an unanimous vote of the Board of Directors.

If the Board of Directors 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 Board members have been obtained. If the Common Area is unsuitable for posting the explanation of the action taken, the Board shall communicate the explanation by any means it deems appropriate. Any written consent or consents of the Board shall be filed with the minutes of the proceedings of the Board.

This ability to take action without a meeting shall be restricted to Emergency and Executive Session matters.

Section 8.11. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

Section 8.12. Protocol at Board Meetings. At each meeting of the Board, the President, or if he or she is absent therefrom, the Vice President, or if he or she is absent therefrom, a Director chosen by a majority of the Directors present, shall act as Chairperson and preside over such meeting. The Secretary, or if he or she is absent, the person (who shall be an Assistant Secretary, if any and if present) whom the Chairperson of such meeting shall appoint, shall act as Secretary of such meeting and keep the minutes thereof.

Section 8.13. Minutes of Meetings of Directors

(a). Written Minutes. Minutes shall be kept in written form. Audiotapes shall be recorded at every meeting of the Board to aid in transcription of the meeting minutes.

(b). Availability of Minutes. The minutes or minutes proposed for adoption that are marked to indicate draft status, of any meeting of the Board, other than an Executive Session, shall be available to Members for inspection within thirty (30) days of the meeting.

The minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs for making that distribution.

(c). Notice of Availability of Minutes. Members of the Association shall be notified in writing at the time that the pro forma budget is distributed, or at the time of any general mailing to the entire Membership of the Association, of their right to have copies of the approved minutes of meetings of the Board, and how and where those minutes may be obtained.

(d). Audiotapes of Meetings. After the minutes of meetings have been transcribed, the Association in a fireproof cabinet for at least one (1) year shall retain all audiotapes of meetings. Upon proper notification to the Association, any Member shall have the right to review such audiotapes except for those recorded in Executive Session. Proper notification shall be a written request submitted to the Association office. The Association shall comply with this request within ten (10) working days of receiving such request.

**ARTICLE IX**  
**Duties and Powers of the Board**

Section 9.01 Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in 7.01, above, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the General Manager of the Association, and other managerial employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation and the Bylaws; and fix their compensation.

(c) Contract with a person or management company to act as General Manager and, at the Board's option, Chief Operating Officer of the Association.

(d) Ratify or disapprove the General Manager's proposed appointment or removal of subordinate managers for each cost center and fix the compensation for each of these positions.

(e) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(f) Adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Common Area, the Common Facilities and roads within the Properties, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules 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 XIV, section 6 of the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners, tenants, guests and invitees.

(g) Delegate to the General Manager the enforcement of all applicable provisions of the Governing Documents relating to the control, management, and use of the Lots within the Properties and the Common Area, Common Facilities and the roads within the Properties.

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

(i) 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 Properties.

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

(k) Contract for and pay for construction or reconstruction of any portion or portions of the Properties which have been damaged or destroyed and which are to be rebuilt.

(l) Subject to the requirements and limitations of California law and the Governing Documents, delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board.

(m) Levy Assessments from the Members of the Association in accordance with the Declaration, and establish reasonable use charges for any or all of the Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

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

(o) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in article Section 12.05(b), below.

(p) Appoint committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with article X, below.

(q) In accordance with these Bylaws, fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member.

(r) Open bank accounts and borrow money on behalf of the Association. The Board shall designate the signatories to such depositaries and loan documents.

(s) Bring and defend actions on behalf of more than one Member or the Association to protect the interests of the Members or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in article XIV, section 6 of the Declaration.

(t) Enter Lots as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Area, Common Facilities or the Owners in common.

Section 9.02 Limitations on Powers.

(a) No contract or transaction (including, without limitation, any employment contract or contract to purchase services, equipment or materials) which obligates the Association to expend funds in excess of two (2) percent of the Association's budgeted gross expenses, excluding depreciation and capital expenditures, for the year in which the contract or transaction is presented to the Board for approval may be adopted unless approved by a majority plus one of all the directors. The Board shall not intentionally subdivide a single transaction into a series of separate contracts in order to avoid the limitations imposed by this section 9.02. Furthermore, in determining the total amount of the contract or transaction obligation, early termination provisions and costs shall be considered unless the right of early termination can be exercised without cause and without payment of any charge, expense or penalty by the Association to any other party to the contract or transaction.

(b) Fill any vacancy on the Board of Directors created by the removal of a director.

Section 9.03. Actions Requiring Open Meeting.

(a) Limitations. The Board of Directors shall not irrevocably commit the Association or Association resources to any of the following described actions until it has complied with the requirements of subparagraphs (d) and (e) of this Section 9.03.

(i) Elimination of any portion of a major Association Common Facility, including both improved and open space Common Area;

(ii) Any modification to a major Association Common Facility, which will exceed a total cost of two hundred thousand dollars (\$200,000) including improved or open space Common Area.

(iii) Creation of a major Association Common Facility; or

(iv) The sale, lease, trade, development or encumbrance of Association owned real property, excluding those properties foreclosed by any means permitted by law.

(v) Subject to the provisions of Article IV 3b of the Declaration, imposition of a regular assessment that is more than twenty percent (20%) greater than the Association's preceding fiscal year's assessment.

(vi) Imposition of a special assessment which in the aggregate exceeds five percent (5%) of the budgeted gross expenses for that fiscal year except that such limitation shall not apply to satisfy the emergency situations as described in Cal. Civil Code §1366 (a) or any superseding statute. "Gross expenditures" for the purpose of this section shall exclude any depreciation or capital expenses.

(vii) Borrowing money, incurring indebtedness and executing promissory notes, leases, or other evidence of debt for the Association that pledges the right of the Association to exercise its assessment powers or the revenue of any amenity in connection with obtaining funds to repay a debt of the Association.

(viii) Action which would increase Association indebtedness above three percent (3%) of the preceding year's audited total assets for the purchase or improvement of real or personal property.

(ix) Any indebtedness above five percent (5%) of the preceding year's audited total assets shall require submission to the Membership for vote and approval.

(b) Major Association Common Facility Defined. "Major Association Common Facility," as used in this section 9.3, shall mean: any country club, golf course, tennis court, swimming pool, lake, marina, stable or equestrian facility, lodge or recreational building or campground, owned and/or operated by the Association. Further, "major Common Association Facility" shall mean, as used in this section, units 14 and 16 as they are now composed.

(c) Exceptions. Action necessary or desirable to maintain, protect, or preserve existing Major Association Common Facility or Association-owned real property, or the use of Association funds or resources for the purpose of preliminary research, planning, and studies are specifically excluded from the operation of this section if the total cost of such preliminary research, planning and studies does not exceed in the aggregate fifty thousand dollars (\$50,000). A Board resolution authorizing any expenditure for the preliminary research, planning and studies must first be approved by the Board prior to the authorization of such cost or the expenditure of such funds.

(d) Member Meetings. The Board shall hold at least two (2) open meetings of Members at Pine Mountain Lake for the purpose of informing the Membership of the proposed action and to receive the comments of the Members concerning the proposed action that is within the purview of subparagraph (a) of this Section 9.03. Both of these meetings shall be held on a Saturday. Notice of the meetings shall be published in the issue of the Pine Mountain Lake News

published prior to the first meeting, posted on the Association website, or at the option of the Board, by written notice posted and mailed to all Members at least thirty (30) days prior to the meeting.

(e) Member Approval. If, following the Member meetings prescribed in subparagraph (d) above, the Board proposes to continue with the action, the issue shall be put to a vote of the Members in accordance with Article IV of these Bylaws.

## **ARTICLE X Committees**

Section 10.01 Committees Appointed by the Board. In addition to the Environmental Control Committee appointed and constituted pursuant to the Declaration, 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 in good standing (who may also be directors), to serve at the pleasure of the Board. However, non-voting members of advisory committees, i.e. committees appointed solely to make recommendations to the Board, are not required to be Members of the Association. Committees shall have such authority and responsibilities as may be specifically delegated by resolution of the Board, except that no committee, regardless of Board resolution, may:

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

(b). Fill vacancies on the Board of Directors or on any committee which has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d). Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or the members of those committees.

(f) Approve any transaction governed by Article VII, 7.10, director Ethics, of these Bylaws.

Section 10.02 Limitation on Appointments. The General Manager, subordinate managers for each cost center, and any other employee of the Association, shall not be eligible for appointment as members to any committee, but may be appointed to serve as non-voting advisors to any committee.

Section 10.03            Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of 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 resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees 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 any committee and shall be filed with the Association records. The Board of Directors may adopt rules not inconsistent with the provisions of these Bylaws for the government of any committee.

Section 10.04            Committee Selection. The Board shall select and appoint Members to a committee based on the qualifications submitted by the applicants. The Board shall make its selection of a chairman for that committee from that list. Each committee member shall serve subject to the Board's power to remove that Member and appoint a successor.

Section 10.05            Committee Member Term of Appointment. Each committee member shall serve for a term of one year from the time of appointment to that committee and may be reappointed by the Board. This period maybe shortened if the specific purpose of that committee has been fulfilled or the committee charter has been rescinded or the committee member resigns or is removed from that committee by the Board.

## **ARTICLE XI**

### **Duties and Responsibilities of the Association's Officers and General Manager**

Section 11.01.            Officers. The officers of the Association shall be a President, a Vice President, a Secretary and a Chief Financial Officer (who shall be known as 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 11.03, below. Any person may hold two or more offices, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as president.

Section 11.02.            Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.03 and 11.06, below, shall be chosen annually by majority vote of the

Board at its first regular meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified. Other than officers appointed pursuant to Section 11.03, below, all officers shall also be directors.

Section 11.03. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 11.04. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 11.05. 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 at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 11.06. 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 for regular appointments to such office.

Section 11.07. President .

(a) Chief Executive Officer. The President shall be designated as the Chief Executive Officer of the Association.

(b) Agenda. The President and the Secretary shall compile the agenda for each Board meeting. Any items submitted by Board members shall be included in the agenda if requested in a timely manner and are matters that may properly be considered by the Board.

(c) Limitations. Other than as specified in these Bylaws, the President shall not have any special powers or authority beyond those of other Board members.

Section 11.08. Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President and

when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09.      Secretary. The Secretary shall: (i) keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members; (ii) keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses; (iii) give, or cause to be given, notice of all meetings of the Board and the Members required by the Bylaws or by law to be given; (iv) keep the seal of the Association in safe custody; and (v) perform such other duties and responsibilities as may be prescribed by the Board or by the Bylaws. At a minimum, the minutes shall note the date, time and location of the meeting, the persons in attendance, a general description of the matters discussed and an accurate record of the actions taken or duly approved by the Board or the members, as the case may be.

Section 11.10.      Chief Financial Officer. The Chief Financial Officer, who shall be known as the treasurer, shall: (i) keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements; (ii) deposit 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; (iii) disburse the funds of the Association as may be ordered by the Board; (iv) render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Association; and (v) exercise such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the treasurer shall give the Association, at the Association's expense, a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

Section 11.11.      General Manager. The Board shall employ the services of a General Manager (or, at the Board's discretion, an employee of a professional management company) to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the

General Manager shall at all times remain subject to the general control of the Board. The General Manager shall not be a director of the Association.

(a) Duties. The Board shall define the specific areas of responsibility delegated to the General Manager.

(b) Direction. The Board shall exercise its general control of the General Manager as a total entity. Board members shall not act individually in attempts to supervise the General Manager or direct the manner of his performance.

(c) Evaluation. The Board shall, consistent with the General Manager's contract, if any, at the start of each fiscal year establish realistic goals and objectives for the General Manager to accomplish. The General Manager's overall performance shall be measured against the specific delegations of duties and powers and the accomplishment of these goals and objectives.

## **ARTICLE XII**

### **Member Assessment Obligations and Association Finances**

Section 12.01. Description of Assessments to Which Owners Are Subject. Owners of Lots within the Properties are subject to Regular, Special and Special Individual Assessments as more particularly described in Article IV of the Declaration.

Section 12.02. Checks. All checks or demands for money and notes of the Association shall be signed by the president and treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any transfer of funds from Association reserve accounts shall require Board action at a Board meeting open to the Members.

Section 12.03. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Properties.

Section 12.04. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including and in accordance with Civil Code section 1365.5(f), or its successor statute, reserve accounts for (a) replacement of capital improvements as more particularly set forth

in Article IV of the Declaration; or (b) funds received and not yet expended or disposed from either a compensatory damage award or settlement for injury to real or personal property as a result of any construction or design defects. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 12.05. Budgets and Financial Statements. The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

(a) Budget. A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the fiscal year containing, but not limited to the following:

(i) Estimated revenue and expenses on an accrual basis. This information shall be presented in a manner, which separately identifies the anticipated revenues and expense for each cost center within the Association's operations ("cost centers"). The differential between revenues and expenses for each cost center (as determined above) shall then be expressed in the budget as a percentage so that Members can readily understand the anticipated net expense of providing each major facility and service, which the Association is obligated to provide or operate under its Governing Documents;

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 12.06, below, and Civil Code section 1365.5, 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 of the Properties which the Association is obligated to repair, replace, restore or maintain (collectively "Association Capital Projects");

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

(1) The current estimate of the amount of cash reserves necessary for Association Capital Projects;

(2) The current amount of accumulated cash reserves actually set aside for Association Capital Projects; and

(3) If applicable, the amount of funds received from either a compensatory damage award or settlement to the association from any person or entity for injuries to real or personal property arising out of construction or design defects and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. Such amounts shall be reported as a separate line item under accumulated cash reserves, under subparagraph (2), above. In any year in which the Association is obligated to issue a review of their financial statement in accordance with subparagraph (b), below, in lieu of complying with this subparagraph (3), the Association may include a statement containing all of the information required by this subparagraph in such review.

(C) The percentage that the amount of accumulated cash reserves is of the estimated amount of necessary cash reserves calculated under subparagraph (B), above.

(iii) A general statement setting forth the procedures used by the Board of Directors in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Area and Common Facilities which the Association is obligated to maintain.

(iv) If any short term inter-fund borrowing is anticipated to satisfy the requirements of the pro forma operating budget, a statement shall be included describing the reason for such inter-fund borrowing, the specific uses of those funds and a detailed plan for the repayment of the amount borrowed. Any such borrowing must remain in compliance with the provisions of Cal. Civil Code §1365.5.

(v) A detailed capital spending plan setting forth the anticipated major capital expenditures. The Board shall determine the content and format of this spending plan based upon the recommendations of the Budget and Finance committee. For this section, a major capital expenditure is defined as any capital outlay greater than or equal to \$500.00.

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 principal office and that copies will be furnished, upon request, to any Member at the Association's expense. This notice shall be presented on the front page of the budget summary in at least 10-point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail, within five (5) days.

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

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of cash flows for the fiscal year;
- (iv) A statement advising Members of the place where the names and addresses of the current Members are located; and
- (v) Any information required to be reported under Corporations Code section 8322 requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any director or officer of the Association and indemnifications and advances to officers or directors in excess of \$10,000 per year.

An audit of the financial statement of the Association shall be prepared in accordance with Generally Accepted Auditing Standards by a licensee of the State Board of Accountancy for any fiscal year.

(c) Review of Accounts. On no less than a quarterly basis, the Board of Directors 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) with whom the operating and reserve accounts are lodged; and
- (v) Review the Association's income and expense statement for the operating and reserve accounts.

Section 12.06. Required Reserve Studies. At least once every three (3) years, the Board shall cause a study of the reserve account requirements of the Properties to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required hereunder on an annual basis and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required hereunder shall include the minimum requirements specified in Civil Code section 1365.5 or comparable successor statute.

### **ARTICLE XIII**

#### **Other Required Disclosure to Members**

Section 13.01 Annual Notice Regarding Assessments and Foreclosure. As required by Civil Code section 1365.1, the Association shall distribute to all Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year, the notice regarding Association assessment authority, foreclosure and other collection remedies that is set forth in subparagraph (b) of Civil Code section 1365.1. This notice shall be printed in at least 12-point type.

Section 13.02. Notification to Members Regarding Insurance Coverage Maintained by the Master Association.

(a) Scope of Required Summary Disclosures. In accordance with California Civil Code section 1365(e), within sixty (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) Content 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 of 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 your property, including personal property or, real property improvements to or around your Residence, or personal injuries or other losses that occur within or around your Residence. 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 to be included 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, restored 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, then 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 receives 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.

Section 13.03. Alternative Dispute Resolution (ADR) Disclosure. On an annual basis, the Board of Directors shall provide each Member a summary of the provisions of California Civil Code section 1354, which specifically references section 1354 and which includes the language required by section 1354(i). The summary shall be provided either at the time the budget required by Section 12.05, above is distributed or in the manner specified in California Corporations Code section 5016.

Section 13.04. Statement of Outstanding Charges. Within ten (10) days following receipt of a written request by an Owner, the Association shall provide the Owner with a written statement setting forth the following information as of the date of the statement: (a) the amount of the Association's current Common Assessment and Special Assessments (if any), and fees, (b) the amount and nature of any assessments levied upon the Owner's Lot which are unpaid on the date of the statement; (c) true and correct information regarding late charges, interest, and costs of collection which, as of the date of the statement are or may be made a lien on the Owner's Lot which may be made a lien upon that Lot in accordance with Civil Code section 1367, and (d) any change in the Association's current Common and/or 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 statement. The Association may impose a fee for providing the information stated in this Section 13.04, not to exceed the reasonable costs incurred to prepare and reproduce the requested items.

Section 13.05. Disclosure of Schedule of Fines or Other Monetary Penalties. If the Association adopts a schedule of fines for commonly recurring infractions of the Governing Documents, or any other policy imposing a monetary penalty or a fee on any 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 distribute the schedule or policy to the Members by either personal delivery or by first-class mail. This distribution obligation shall arise whenever such a schedule or policy is adopted or subsequently amended.

Section 13.06. Notification Regarding Certain Rule Changes Civil Code section 1357.100(b) defines a community association “rule change” to mean any adoption, amendment, or repeal of an operating rule by the board of directors of the association. Subparagraph (a) of that section of the Civil Code defines an “Operating Rule” as a regulation adopted by the board of directors of a community association that applies generally to the management and operation of the common interest development or the conduct of the business and affairs of the association. Certain actions by the board of directors of a community association are excluded from the definition of an “operating rule” by Civil Code section 1357.120(b). If the Board of Directors is considering a “rule change” with respect to any of the five types of “operating rules” set forth in the next paragraph below, Civil Code section 1357.130(a), requires the Board of Directors to provide written notice of the proposed rule change to the Members at least thirty (30) days prior to the date when the Board is scheduled to take action on the proposed rule change. This notice must include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change. This notice is not required if the Board of Directors determines that an immediate rule change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association.

Once a rule change has been approved by the Board, notice of the rule change must be delivered to every Member of the Association within fifteen (15) days after the rule change is adopted. This second notice must include the text of the rule change, a description of the purpose and effect of the rule change, and the date that the rule change expires (if it is given an expiration date).

The notice requirements summarized in the preceding two paragraphs apply to any of the following operating rules of the Association:

(i) An operating rule that pertains to use of the Common Areas of the Development;

(ii) An operating rule that pertains to architectural control standards or design guidelines under Article V of the Declaration;

(iii) An operating rule that pertains to Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties;

(iv) Adoption by the Association of standards applicable to delinquent assessment payment plans; and

(v) Procedures adopted by the Association for the resolution of assessment disputes.

The Member notification requirements for the preceding five categories of operating rules are intended to afford Members the right to demand that the Board conduct a special meeting or a written ballot vote to rescind the proposed rule change in accordance with Civil Code section 1357.140 (which section sets forth procedures for a Member-initiated plebiscite to challenge the proposed rule change). Regardless of whether the Members are successful in reversing a rule change pursuant to the procedures set forth in Civil Code section 1357.140, the Board of Directors must, within fifteen (15) days following the close of the voting, notify the Members of the results of the Member vote. All notices required by this Section 13.07 may be delivered to the Members by any means permitted by Civil Code section 1350.7.

Section 13.07. Avoidance of Duplication in Reporting Requirements. To the extent one document distributed to the Members pursuant to Article XII or XIII, this Article provides the information required in more than one of the foregoing sections of this Article, any such requirements listed above may be satisfied by sending the Members the same document.

## **ARTICLE XIV Miscellaneous**

### Section 14.01. Inspection of Books and Records.

(a) Member Inspection Rights. 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 at all times, during reasonable

business hours, 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 hereunder shall be exercisable on ten (10) days' prior written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. The following additional rules and restrictions shall apply to Member inspection demands:

(i) The Association has the right, within ten (10) business days after receiving a demand for inspection and/or copying the Association's membership list, to deliver to the person or persons making the demand a written offer of an alternative method of achieving the purpose identified in the Members' demand without providing access to or a copy of the membership list, itself. In addition, if the Association reasonably believes that the membership information will be used for a purpose other than the purpose stated by the requesting Member(s), or where the Association provides a reasonable alternative to access to the list, the requesting Members may be denied access to the list. Prohibited uses of membership lists are set forth in Corporations Code section 8338.

(ii) If the Association agrees to make copies of requested information that is within the Members' rights of inspection, the Association shall be entitled to bill the requesting Member(s) for the actual costs incurred by the Association for copying and mailing the requested documents. The Association must inform the Member(s) of the amount of the copying and mailing costs before sending the requested documents.

(iii) The Association may withhold or redact information for the accounting books and records and the minutes of proceedings for any of the following reasons:

(A) the release of the information is reasonable likely to lead to identity theft (meaning the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money or property);

(B) the release of the information is reasonably likely to lead to fraud in connection with the Association; or

(C) The information is privileged under applicable law. However, unless the attorney/client privilege must be protected by the withholding or redacting of information, the Association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title and not by the employee's name, social security number, or other personal information.

(iv) The accounting books and records and the minutes of proceedings of the Association, and any information derived from those books, records, and minutes may not be sold, used for a commercial purpose, or used for any other purpose that is not reasonable related to the requesting Member(s)' interest as a Member of the Association. Civil Code section 1365.2(d) gives the Association a right to seek injunctive relief and damages for any violation of these restrictions on the use of Association information and records, and, if successful, to obtain an award of its reasonable costs and expenses of suit, including reasonable attorneys' fees.

(b) Director Inspection Rights. Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents. All Directors should consider their fiduciary obligations to act in good faith and in a manner the director believes to be in the best interests of the Association in determining what use and/or dissemination is to be made of information obtained in the director's exercise of his or her inspection rights.

(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 the Member.

Section 14.02. Disclosure of Senior Manager's Qualifications. As a precondition of employment, any candidate for a senior management position shall grant the Board the right to disclose a resume of qualifications to the Association for that candidate. For the purpose of this Section 14.03, a "Senior Manager" shall mean the General Manager, the Controller and any cost center manager.

Section 14.03. Corporate Seal. The Association shall have a seal in circular form having within its circumference the words "Pine Mountain Lake Association, Incorporated April 16, 1969, State of California."

Section 14.04. Robert's Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 14.05. Amendment or Repeal of Bylaws. Except as otherwise expressly provided herein, these Bylaws may only be amended or repealed, and new Bylaws adopted by the affirmative vote or assent by written ballot of a Majority of a Quorum of the Members; provided that if any provision of these Bylaws

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

Section 14.06. Notice 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 seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: 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; 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; 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 so given, to the address of any Lot within the Properties owned by such Member.

Section 14.07. Indemnification.

(a) Indemnification by Association of Directors, Officers, Committee Members and Volunteers. To the fullest extent permitted by law, the Association shall indemnify its directors, officers, committee members and volunteers, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a director, officer, committee member or volunteer. The term "Expenses," as used in this section, shall have the same meaning as in Corporations Code section 7237(a).

(b) Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code section 7237(e) whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code section 7237(e) whether the applicable

standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

(c) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by directors, officers, committee members or volunteers seeking indemnification under subparagraphs (a) and (b) of this section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(d) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its directors, officers, committee members and volunteers against other liability asserted against or incurred by any director, officer, committee member or volunteer in such capacity or arising out of the director's, officer's, committee member's or volunteer's status as such.

### **CERTIFICATE OF SECRETARY**

The undersigned, secretary of the corporation known as Pine Mountain Lake Association, hereby certifies that the above and foregoing Restated Bylaws, consisting of 40 pages, were duly adopted by written ballot of the Members of the Association on \_\_\_\_\_, 2005, and that they now constitute the Bylaws of the Association.

DATED: \_\_\_\_\_, 2005.

**PINE MOUNTAIN LAKE  
ASSOCIATION**, a California  
nonprofit mutual benefit  
corporation

By:

\_\_\_\_\_  
(Secretary)