

## ARTICLE I

### NAME AND LOCATION

The name of the corporation is HIDDEN VALLEY HOME OWNERS ASSOCIATION hereinafter referred to as the *Association*. The principal office of the Association shall be located in the County of San Diego, California.

## ARTICLE II

### DEFINITIONS

**Section 2.1** The definitions contained in the Declaration are incorporated by reference herein.

**Section 2.2** *Declaration* shall mean and refer to the Covenants, Conditions and Restrictions and all subsequent amendment thereto through the date of recordation of this Declaration for Hidden Valley Home Owners Association, executed by Malone Development Company, a California corporation (“Declarant”), and recorded twice, first on July 2, 1971, and subsequently on July 20, 1971, at File Page No. 71-144226 and 71-157305 respectively in the Official Records of San Diego County, California (“Original Declaration”), which affects all of the Properties described and commonly known as Hidden Valley Home Owners Association are hereby superseded, amended, and restated in their entirety.

**Section 2.3** *Majority of a Quorum* shall mean 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 written ballots cast equals or exceeds the quorum requirement specified in Section 3.4.

**Section 2.4** *Voting Power* shall mean those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time said matter is submitted to the Members.

## **ARTICLE III**

### **MEETING OF MEMBERS AND VOTING**

#### **Section 3.1 Annual Meetings.**

Regular annual meetings of the Association shall be held within thirty(30) days of January 1 of each year at a time and place designated by the Board of Directors.

#### **Section 3.2 Special Meetings.**

Special meetings of the members shall be called at any time by a majority of the Board of Directors, or by the president, or upon written request of the members representing five percent (5%) of the total voting power of the Association.

#### **Section 3.3 Notice and Place of Meetings.**

Written notice of each meeting of the members shall be given by, or at the direction of, the secretary when the meeting has been called pursuant to Section 3.2 above, delivering to each Owner's residence, or, if such owner does not reside in Hidden Valley Estates, by mailing a copy of such notice, first class mail, postage prepaid, at least thirty (30) but not more than ninety (90) days before such meeting to each first lender who has requested notice and to all members, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Notice pursuant to this section may also be given to Members by e-mail if authorized by Members on an individual basis, in writing, on a form provided by the Association. Such notice shall specify the place, day and hour of the meeting, along with those matters the Board intends to present for action by the members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. Except as otherwise provided by law, members at special meetings may only act on those matters which have been listed in the meeting's notice.

If action is proposed to be taken at any meeting for approval for 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 states the general nature of the proposal(s): (a) removing a Director without cause; (b) filling vacancies in the Board of Directors by the members; (c) amending the Articles of Incorporation; (d) approving a contract or transaction in which a Director has a material financial interest. Meetings shall be held within the project or at a meeting place within the same county, as close to the

project as possible.

## **Section 3.4 Quorum Requirements.**

### **Section 3.4.1 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 3.8 of these Bylaws:

- (i) Quorum for Valid Action on Association Matters. In the case of a membership meeting or written ballot, the quorum shall be a majority of the Members eligible to vote (represented in person or by proxy);
- (ii) Reduction in Quorum Percentage for Action on General Matters. If the minimum quorum percentage specified in subparagraph 3.4.1(i) above is not satisfied, the meeting may be adjourned to another time or place not less than forty-eight (48) hours nor more than thirty (30) days after the initial meeting date, and at the reconvened meeting the quorum percentage shall be reduced to thirty-three percent (33%) of the voting power of the Members. If this reconvened meeting is attended by less than a majority of the voting power of the Members (but a quorum is present) the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting; and
- (iii) Quorum for Votes on Assessment Increases and of Removal of Directors From Office. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval or removal of any Director from office, the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code Section 1366 or comparable superseding statute. That quorum percentage is currently a majority of the total voting power of the Association.

### **Section 3.4.2 Members Represented by Proxy.**

Members present at a membership meeting in person or by proxy shall be counted toward satisfaction of the quorum requirements specified herein.

### **Section 3.4.3 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 in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

### **Section 3.5 Proxies.**

Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Secretary of the Association or the management agent. Any proxy shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

### **Section 3.5.1 Proxyholder Must Vote in Accordance with Instructions.**

In accordance with Section 3.5 above, proxies distributed in connection with the election of Directors shall set forth the names of all individuals who are candidates for election to the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a Director. If any proxy issued in connection with the election of Directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

### **Section 3.5.2 No Proxy Voting in Connection with Written Ballots.**

Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Section 3.8.

### **Section 3.5.3 Revocation of Proxies.**

Any proxy issued hereunder shall be revocable by the Member executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation; or (ii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. A proxy shall be deemed revoked when the secretary receives actual notice of the death or judicially declared incompetence of the issuing Member, or upon termination of such Member's status as an Owner in the Association.

### **Section 3.5.4 Form of Proxy.**

Any form of proxy distributed to ten (10) or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

### **Section 3.6 Membership and Voting.**

Membership shall be held as provided in the Declaration. The members shall be owners and shall be entitled to one (1) vote per each Lot. Only members in good standing and not delinquent in dues or fines shall be entitled to vote. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot. The vote of a majority of a quorum present, in person or proxy, shall decide any question brought before such meeting, unless the question is one upon which, by the express provision of statute or the Declaration, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control.

### **Section 3.7 Eligibility to Vote**

Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's property and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to receive notice ten (10) days in advance of the effective date of the loss of voting privileges and request such a hearing in accordance with the Declaration.

### **Section 3.8 Action by Written Ballot Without Meeting.**

#### **Section 3.8.1 Definition of Written Ballot.**

A *written ballot* is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that 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.

#### **Section 3.8.2 Written Ballots Generally.**

Any matter or issue requiring the vote of the Members, other than the election of Directors, may 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.

#### **Section 3.8.3 Content of Written Ballots.**

Any written ballot distributed to the Members to vote on any 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.

#### **Section 3.8.4 Balloting Time Requirements.**

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 be extended only if the Board so notifies the Members in the balloting solicitation materials originally sent to Members and then for no more than two successive periods of thirty (30) days each.

#### **Section 3.8.5 Requirements for Valid Member Action by Written Ballot.**

Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum 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. If the time for returning written ballots is extended in accordance with subparagraph 3.8.4 above, the reduced quorum percentage specified in Section 3.4.1(iii) shall apply during the extension period(s).

#### **Section 3.8.6 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.

#### **Section 3.8.7 Prohibition of Revocation.**

Once exercised, a written ballot may not be revoked.

#### **Section 3.8.8 Conduct of Informational Meetings.**

Use of the written ballot procedures provided 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.



### **Section 3.9 Parliamentary Procedure.**

Meetings of the membership of the Association shall be conducted in accordance with Robert's Rules of Order Newly Revised (latest edition).

### **Section 3.10 Adjourned Meeting.**

#### **Section 3.10.1 Adjournment Generally.**

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

#### **Section 3.10.2 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.

## **ARTICLE IV**

### **BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE**

#### **Section 4.1 In General.**

The activities and affairs of this Association shall be administered and overseen by, and the powers of the Association exercised under the direction of, a Board of Directors. The Board may delegate the management activities to any management company or managing agent, provided, however, that the activities and affairs of the Association shall be directed, overseen, and managed, and the corporate powers

exercised, under the ultimate direction of the Board.

#### **Section 4.2    Number.**

The affairs of this Association shall be managed by a Board of five (5) Directors, all of whom must be members of the Association.

#### **Section 4.3    Term of Office.**

The term of office for Directors shall be two (2) years. The Directors shall serve staggered terms with two or three Directors being elected in alternate years. Unless sooner vacated, each Director shall hold office until the Director's term expires and a successor is elected.

#### **Section 4.4    Removal; Vacancies.**

Any or all directors may be removed without cause if such removal is approved by the affirmative vote of a majority of the total voting power of the Association, represented in voting at a duly held meeting. In the event of death or resignation of a Director, his successor shall be filled by approval of the Board at a duly held meeting or by a sole remaining Director, and shall serve for the unexpired term of his predecessor. The members may elect a Director at any time to fill any vacancy not filled by the directors. A vacancy created by removal of a Director can be filled only by election of the members. Additionally, any member of the Board of Directors who has been absent without being excused by the Board from three (3) consecutive Board meetings may be removed by the Board by a majority of Board members present at a Board meeting, a quorum being had.

#### **Section 4.5    Compensation.**

No Director shall receive compensation for any service he may render to the Association unless approved by a vote of the membership as provided in Section 5.3 of the Declaration. Any Director may be reimbursed for his actual expenses, if reasonable, incurred in the performance of his duties.

#### **Section 4.6    Indemnification of Officers and Directors.**

Each Director, officer, and committee member shall be indemnified by the Association and the members against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him by judgment or settlement in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director, officer,

or committee member of the Association, except in cases of fraud, gross negligence or bad faith of the Director, officer, or committee member in the performance of his duties.

#### **Section 4.7    Resignation of Directors.**

Except as provided in this paragraph, any Director may resign, and such resignation shall be effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

#### **Section 4.8    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; (iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236 (relating to the standards of conduct of Directors); (iv) fails to attend three (3) unexcused consecutive regular meetings of the Board of Directors, or (v) is at any point ninety (90) days or more delinquent in payment of assessments.

### **ARTICLE V**

#### **NOMINATION AND ELECTION OF DIRECTORS**

##### **Section 5.1    Nomination.**

Nomination for election to the Board of Directors shall be made pursuant to reasonable procedures adopted by the Board of Directors from time to time. Nominations may also be made from the floor at the annual meeting. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes. Any nominee for election to the Board of Directors must consent to the nomination in order to be eligible to run for office.

##### **Section 5.2    Election.**

The election of the Board shall be conducted at the annual meetings of the Association. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are

entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Voting for Directors may be by secret written ballot if requested by a member present at the meeting.

## **ARTICLE VI**

### **MEETINGS OF DIRECTORS**

#### **Section 6.1 Regular Meetings.**

Regular meetings of the Board of Directors shall be held monthly at such place within the Project and at such hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday, excluding Saturday and Sunday. Notice of the time and place of the meeting shall be posted at a prominent place within the Common Area.

#### **Section 6.2 Special Meetings.**

Special meetings of the Board of Directors shall be held when called by written notice signed by the president of the Association, or by any two (2) Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by any one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication or facsimile, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director, or (d) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Such notice shall be posted at a prominent place within the Common Area and shall be communicated to Directors not less than four (4) days prior to the meeting, provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

#### **Section 6.3 Quorum.**

A majority of the Directors then in office shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action

taken is approved by a majority of the required quorum for that meeting.

#### **Section 6.4 Executive Session.**

The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, matters that relate to the formation of contracts with third parties, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of an Association member, the Board of Directors shall meet in executive session if requested by that member, and the member shall be entitled to attend the executive session.

#### **Section 6.5 Telephone Meetings.**

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

#### **Section 6.6 Waiver of Notice.**

The transactions 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 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. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

#### **Section 6.7 Notice of Adjourned Meeting.**

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of

adjournment, and shall be posted at a prominent place within the Common Area.

#### **Section 6.8    Action Without Meeting.**

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

#### **Section 6.9    Open Meetings.**

This section is intended to comply with the requirements of Civil Code Section 1363.05 entitled “The Common Interest Development Open Meeting Act”, and in the event future legislation modifies said Act such that it is in conflict with the provisions herein, then the requirements of said Act shall control.

##### **Section 6.9.1    Notice to Members of Board Meetings.**

Members shall be given notice of the time and place of Board meetings as defined herein, except for an emergency meeting, at least four days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each unit in the development, or by newsletter or similar means of communication.

##### **Section 6.9.2    Emergency Meetings.**

An emergency meeting of the Board may be called by the president of the Association, or by any two members of the governing body other than the president, without providing notice to the Members as set forth herein, if there are circumstances that would not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required herein.

##### **Section 6.9.3    Meeting.**

As used in this Section 6.9, *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.

## **ARTICLE VII**

### **POWER AND DUTIES OF THE BOARD OF DIRECTORS**

#### **Section 7.1 Powers and Duties.**

The Board of Directors shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration of the properties and may do all such acts and things as are not prohibited by the Declaration, Articles of Incorporation, or these Bylaws. The Board shall have the power to adopt, modify, and repeal such reasonable rules and regulations as it deems necessary and appropriate for the governance of the properties or the administration of the affairs of the Association and to impose sanctions for violations thereof, including monetary fines and suspension of voting rights and right to use recreational facilities. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to and be responsible for the following, by way of illustration, but not limitation:

- (A) preparation and adoption of an annual budget, in which there shall be established the contribution of each member to the common expenses;
- (B) making assessments to defray the common expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the assessments. Unless otherwise determined by the Board of Directors, the annual assessment against the proportionate share of the common expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month;
- (C) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve and using the proceeds to administer the Association;



- (D) opening of bank accounts on behalf of the Association and designating the signatories required;

keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The books and vouchers accrediting the entries thereupon shall be available for examination by the Members and mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours on working days at the times and in a manner that shall be set and announced by the Board of Directors for the general knowledge of the Members. All books and records shall be kept in accordance with generally accepted accounting practices;

- (E) establishing and maintaining an adequate reserve fund for capital improvements, replacements and repairs;
- (F) providing for the operation, care, upkeep, and maintenance of the area of common responsibility;
- (G) designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Association, its property and the areas over which the Association is responsible and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;
- (H) making, or contracting for the making of repairs, additions, and improvements to, or alterations of the Common Area in accordance with the other provisions of the Declaration and these Bylaws, after damage or destruction by fire or other casualty;

- (I) paying the costs of all services rendered to the Association or its members;
- (J) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;
- (K) enforcing by legal means the provisions of the Declaration, these Bylaws and the rules and regulations adopted by it, and bringing any proceedings which may be instituted on behalf of or against the members concerning the Association;
- (L) to adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the owners and their guests thereon, and to establish and impose monetary penalties, temporary suspensions of an owner's rights as a member, or other appropriate discipline for the infractions thereof or for violations of provisions of governing documents.

#### **Section 7.2 Management Agent.**

The Board of Directors shall have the power to employ a professional management agent or agents, at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize so long as said action has been approved by a majority of a quorum of the members eligible to vote. The Board shall use every effort to secure a management contract that contains a termination clause permitting termination, with or without cause, upon no more than sixty (60) days' written notice. No management contract shall have a term in excess of one (1) year.

#### **Section 7.3 Borrowing and Expenditures.**

The Board of Directors shall have the power to borrow money and to mortgage, pledge, deed in trust, or hypothecate any or all of the Association's real or personal property as security for the money borrowed or debts incurred so long as the prior vote or written consent of a majority of the Owners has been obtained.

#### **Section 7.4 Delegation.**

The Board of Directors has the power to delegate its authority and powers to committees, officers or employees of the Association or to a manager employed by the Association. The Board may not delegate to any nonboard member the authority to make expenditures for capital additions or improvements chargeable against the reserve funds; to conduct hearings concerning compliance by an owner or his tenant, lessee, guest or invitee with the Declaration or rules and regulations promulgated by the Board, or to make a decision to levy monetary fines, impose special assessments against individual Lots, temporarily suspend an owner's rights as a member of the Association or otherwise impose discipline following any such hearing; to make a decision to levy regular or special assessments; or to make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment of assessments. The Board may delegate to a manager any of its other duties, powers or functions. Any such delegation shall be revocable by the Board at any time. Any such manager may be either a person or firm. The members of the Board, individually or collectively, shall not be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

#### **Section 7.5 Procedure for Disciplinary Action.**

In addition to the general powers of enforcement as described in the Declaration, the Association may discipline its members for violation of any of the provisions of the governing documents or Association Rules by suspending the violators' voting rights, privileges or use of the Common Area, and/or by imposing monetary penalties for such violations as long as the Association complies with the following procedure prior to imposition of discipline:

- (A) When the Board of Directors is to meet and consider or impose discipline upon a member, the Board shall notify the member, in writing, by either personal delivery or first class mail, at least ten (10) days prior to the meeting.
- (B) The notification shall contain, at a minimum, the date, time and place of meeting, the nature of the alleged violation for which a member may be disciplined, and a statement that the member has a right to attend and may address the Board at the meeting.
- (C) If the Board imposes discipline on a member, the Board shall provide a notification of the disciplinary action by either personal delivery or first class mail to the member within fifteen (15) days following the action. A disciplinary action shall

not be effective against a member unless the Board fulfills the requirements of this section.

- (D) In the event Civil Code Section 1363(h) is amended or modified by the legislature, the Board may follow the disciplinary procedures set forth therein or any related statute and such action shall be deemed in compliance with these Bylaws.

## **ARTICLE VIII**

### **OFFICERS AND THEIR DUTIES**

#### **Section 8.1 Enumeration of Officers.**

The officers of this Association shall be a president and vice-president who shall at all times be members of the Board of Directors, a secretary, a treasurer, and such other officers as the Board may from time to time by resolution create.

#### **Section 8.2 Election of Officers.**

The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

#### **Section 8.3 Term.**

The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

#### **Section 8.4 Special Appointments.**

The Board may elect 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 the Board may, from time to time, determine.

#### **Section 8.5 Resignation and Removal.**

Any officer may be removed from office (but not from the Board, if he is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the

Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

#### **Section 8.6 Vacancies.**

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

#### **Section 8.7 Duties.**

The duties of the officers are as follows:

##### **Section 8.7.1 President.**

The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. He or she shall have the general powers and duties of management usually vested in the office of the President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

##### **Section 8.7.2 Vice-President.**

The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

##### **Section 8.7.3 Secretary.**

The secretary shall record or cause to be recorded the votes and keep or cause to be kept the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with the addresses; and shall perform such other duties as required by the Board.

##### **Section 8.7.4 Treasurer.**

The treasurer shall receive and deposit in appropriate bank accounts all monies of

the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; shall keep proper books of account; shall prepare and shall distribute financial statements to each member as set forth in Article IX.

**Section 8.7.5 Delegation of Duties.**

The foregoing duties may be delegated to a manager appointed by the Board, with the approval of a majority of a quorum of members eligible to vote.

**Section 8.8 Agreements, Contracts, Deeds, Leases, etc.**

All agreements, contracts, deeds, leases, promissory notes and other instruments of the Association shall be executed by the president or by such other person or persons as may be designated by resolution of the Board of Directors.

**ARTICLE IX**

**FINANCIAL STATEMENTS, OPERATING AND RESERVE ACCOUNTS**

**Section 9.1 Distribution of Financial and Other Statements to Members.**

Financial statements and other information shall be distributed by the Association to all of its Members as described below:

**Section 9.1.1 Pro Forma Operating 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) days nor more than sixty (60) days prior to the beginning of the fiscal year:

- (i) The Association's estimated revenue and expenses on an accrual basis;
- (ii) A summary of the Association's reserves based on the most recent review or study conducted pursuant to Civil Code §1365.5, which must be printed in bold type and include all of the following:

- (a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Properties that the Association is obligated to repair, replace, restore, or maintain (collectively "Association Capital Projects");
  - (b) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital projects and the current amount of accumulated cash reserves actually set aside for Association Capital Projects; and
  - (c) The percentage of the estimated amount of necessary cash reserves calculated under subparagraph (b), above, that represents the amount of accumulated cash reserves;
- (iii) A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component of the Properties for which the Association is responsible, or to provide adequate reserves therefor; and
  - (iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the future costs of repair, replacement, or additions to those major components of the Properties for which the Association is responsible.

#### **Section 9.1.2 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 changes in financial position 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 §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.

A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized Officer of the Association that the statement was prepared without an audit from the books and records of the Association.

#### **Section 9.1.3 Annual Statement Regarding Delinquency/Foreclosure Policy.**

In addition to financial statements, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments.

#### **Section 9.1.4 Right of Members to Copies of Minutes of Board Meetings.**

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 minutes of the meetings of the Board of Directors and how and where those minutes may be obtained.



### **Section 9.1.5 Summary of Provisions of CC§1354(b).**

A summary of the provisions of Civil Code Section 1354(b), requiring the offer or use of alternative dispute resolution prior to the initiation of litigation, either by the Association or an Owner, for enforcement of the governing documents shall be annually delivered to the Members.

### **Section 9.1.6 Insurance Disclosure Requirements.**

The Association shall prepare and distribute at least annually to all its members a summary of the information required pursuant to Civil Code Section 1365(e), (f), and (g) as to its general liability policy, its earthquake and flood insurance policies, if issued, and liability coverage for Directors and officers of the Association.

### **Section 9.2 Review of Operating and Reserve Accounts.**

The Board of Directors of the Association shall do all of the following:

- (A) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.
- (B) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis.
- (C) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.
- (D) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.
- (E) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.
- (F) Review the reserve study annually and consider and implement necessary adjustments to the Board's analysis of the reserve account requirements

as a result of that review.

### **Section 9.3 Signatories of Bank Accounts.**

The signatures of at least two (2) persons, who shall be members of the Association's Board of Directors, who shall not be members of the same family, shall be required for the withdrawal of monies from the Association's bank accounts.

### **Section 9.4 Association Fiscal Year.**

The Association's fiscal year shall run from January 1<sup>st</sup> through December 31.

## **ARTICLE X**

### **COMMITTEES**

The Board may appoint committees as deemed appropriate in carrying out its purpose. No committee, regardless of Board resolution, may: (a) take any final action on matters which, under the Nonprofit Corporation Law of California, also require members' approval; (b) fill vacancies on the Board of Directors or in any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board of Directors; (e) appoint any other committees of the Board of Directors or the members of those committees; (f) approve any transaction to which the Association is a party and in which one (1) or more Directors have a material financial interest.

## **ARTICLE XI**

### **BOOKS AND RECORDS**

#### **Section 11.1 Inspection by Members.**

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 shall be exercisable on ten days' written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. In the case of the demands to inspect the Association's membership list, a Member's inspection rights shall be subject to the Association's right to offer a reasonable alternative to inspection within ten days after receiving the Member's written demand (as more particularly set forth in Corporations Code Sections 8330-8338).

### **Section 11.2 Rules for Inspection.**

The Board shall establish reasonable rules with respect to:

- (A) Notice to be given to the custodian of the records by the member desiring to make the inspection.
- (B) Hours and days of the week when such an inspection may be made.
- (C) Payment of the cost of reproducing copies of documents requested by a member.

### **Section 11.3 Availability of Minutes to Members.**

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 of the Association, other than an executive session, shall be available to members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes, shall be distributed to any member of the Association upon request and upon reimbursement of the Association's costs in making that distribution.

### **Section 11.4 Inspection by Directors.**

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

## **ARTICLE XII**

## **AMENDMENTS**

### **Section 12.1 Procedure.**

These Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing seventy-five percent (75%) or more of the total voting power of the Association. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

### **Section 12.2 Conflict Between Documents.**

In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In case any of these Bylaws conflict with the provisions of the California Common Interest Subdivision Act or the Mutual Benefit Nonprofit Corporations Code, the provisions of said statutes shall control.

## **CERTIFICATION OF SECRETARY**

KNOW ALL MEN BY THESE PRESENTS;

The undersigned, Secretary of Hidden Valley Home Owners Association, a California nonprofit corporation, does hereby certify that the above and foregoing Bylaws were duly adopted by the Board of Directors and Members of the Corporation on the \_\_\_\_ day of \_\_\_\_\_, 2003 and that they now constitute the Bylaws of said Corporation.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Harolyn Perkins, Secretary

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