

BYLAWS OF  
MAGEE RANCH HOMEOWNERS ASSOCIATION

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BYLAWS OF  
MAGEE RANCH HOMEOWNERS ASSOCIATION

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ARTICLE I  
OFFICES

The principal office of Magee Ranch Homeowners Association (hereinafter referred to as the "Association") for the transaction of its business shall be located at 2217 California Street, San Francisco, CA 94115, or at such other place as may be established, from time to time, by resolution of the Board.

ARTICLE II  
GENERAL

Section 2.01. By Reference to Declaration. All terms used herein which are defined in the Declaration of Covenants, Conditions and Restrictions for Magee Ranch Planned Development recorded on \_\_\_\_\_, in Book \_\_\_\_\_, at Pages \_\_\_\_\_ through \_\_\_\_\_ of the Official Records of Contra Costa County (hereinafter referred to as the "Declaration") shall be used herein with the same meanings as defined in the Declaration.

Section 2.02. Personal Application. All present or future Owners, tenants, or their guests or employees, or any other persons that might use the facilities of the Project in any manner, are subject to the provisions set forth in these Bylaws. The mere acquisition or rental of any of the Lots or the mere act of use or occupancy of any of the Lots will signify that these Bylaws are accepted, ratified and will be complied with.

Section 2.03. Interpretation. In case any of the Bylaws conflicts with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect; but all other Bylaws shall remain in full force and effect.

ARTICLE III  
MEMBERS

Section 3.01. Owners of Lots Are Members. Every person who is a record Owner of a fee interest in any Lot which is subject, by covenants of record, to assessment by the Association

is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

Section 3.02. Classes of Voting Rights. The Association shall have two (2) classes of voting membership. Class A Members shall be entitled to one (1) vote for each Lot owned. Class B Members shall be entitled to three (3) votes for each Lot owned. Voting rights shall vest as set forth in the Declaration.

A. Class A Members. The owner of each Lot excluding the Declarant, shall be a Class A Member; provided, however, Declarant shall only be excluded from Class A Membership until the conversion of Class B Membership to Class A Membership, pursuant to Paragraph C, below.

B. Class B Members. The Declarant shall, until the conversion of Class B Membership to Class A Membership, pursuant to Paragraph C, below, be a Class B Member.

C. Conversion. Class B membership shall be irreversibly converted to Class A Membership on the first to occur of the following:

(1) Upon the second anniversary of the issuance of the original final subdivision public report for the most recent phase of the Project.

(2) Upon the fourth anniversary of the issuance of the original final subdivision public report for the first phase of the Project.

Section 3.03. Regular Meetings of Members of the Association. Regular meetings of Members of the Association shall be held annually. The first regular meeting of the Association shall be held within forty-five (45) days after the closing of the sale of the Lot which represents the fifty-first (51st) percentile interest authorized for sale under the original final subdivision public report for the Project, but in no event shall the meeting be held later than six (6) months after the closing of the sale of the first Lot in the Project. Subsequent regular meetings shall be held on the same day of the same month of each year thereafter at 7:00 o'clock P.M.; provided, however, if said day is a Sunday or a legal holiday, the meeting shall be held at the same hour on the first day following said day which is not a Sunday or a legal holiday.

Section 3.04. Special Meetings of Members of the Association.

A. A special meeting of the Members of the Association shall be promptly scheduled by the Board in response to any of the following:

1. The vote of the Board itself.

2. The written request of Members representing not less than five percent (5%) of the Total Voting Power of the Association.

B. If a special meeting is called by Members, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be mailed postage prepaid or hand delivered to the President, any Vice President or the Secretary. The officer receiving the request shall cause notice to be promptly given to the Members, in accordance with the provisions of Section 3.06, that a meeting will be held and the date 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 the notice is not given within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board.

Section 3.05. Location of Meetings of Members of the Association. Regular and special meetings of Members of the Association shall be held at a place within the Project or as near thereto as possible as determined by the Board.

Section 3.06. Notice of Meetings of Members of the Association. Written notice of all meetings of Members of the Association, regular or special, shall be mailed postage prepaid or hand delivered to each Member at least ten (10) days and not more than ninety (90) days prior to the date on which the meeting is to be held. If the notice is mailed, but not by first-class, registered or certified mail, that notice shall be given at least twenty (20) days prior to the date on which the meeting is to be held. If the notice is mailed to a Member, such notice shall be addressed to the address of the Member last appearing on the books of the Association or supplied to the Association by such Member for the purpose of notice. A copy of such notice shall be posted continuing

Such notice shall specify the place, day and hour of the meeting and in the case of a special meeting, the nature of the business to be undertaken (no other business may be transacted). Such notice shall also state the general nature of any proposal(s):

- (i) Removing a Director without cause;
- (ii) Filling vacancies on the Board by Members;
- (iii) Amending the Articles; or
- (iv) As otherwise required by Section 7511(f) of the Corporations Code of the State of California.

Section 3.07. Quorum.

A. Subject to the special formula for determining a quorum as set forth in Section 4.03(d) of the Declaration, for voting relating to increases in the Regular Assessment or levying Special Assessments in excess of the authority of the Board, the presence at a meeting (of Members of the Association) of Members entitled to cast, or of proxies entitled to cast, a majority of the Total Voting Power of the Association shall constitute a quorum for the transaction of business and for any action (except as otherwise provided in the Articles, these Bylaws or the Declaration). In the absence of a quorum, a majority of those Members present, in person or by proxy, may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum by those in attendance shall be to a date not fewer than five (5) days nor more than thirty (30) days from the original meeting date. The quorum for any such adjourned meeting shall be twenty-five percent (25%) of the Total Voting Power of the Association unless the meeting is held for purposes of increasing any Regular Assessment or levying any Special Assessment by an amount in excess of the authority of the Board in which event the quorum requirement shall be determined by the special formula set forth in Section 4.3(d) of the Declaration. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

B. The Members present at a duly-called or duly-held meeting of the Members of the Association at which

adjournment) is approved by at least a majority of the Total Voting Power of the Members required to constitute a quorum.

Section 3.08. Proxies. Each voting Member may vote in person or by proxy. All proxies shall be in writing, signed by all the Owners of the Lot, and filed with the Secretary. No proxy shall be valid for more than three (3) years after the date of its execution and no proxy shall be valid for more than eleven (11) months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable, and any proxy shall automatically cease upon conveyance by the Owner of the Owner's Lot or other termination of membership. A proxy is not revoked by the death or incapacity of the maker or the termination of a membership as a result thereof unless, before the vote is counted, written notice of such death or incapacity is received by the Association.

Section 3.09. Informal Action by Members of The Association. Any action required by law to be taken, or which may be taken, at a meeting of the Members of the Association, except the election of Directors where cumulative voting is required, may be taken without a meeting if:

- (i) A ballot setting forth the proposed action is distributed to all Members entitled to vote with respect to the subject matter thereof;
- (ii) The number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action;
- (iii) The number of votes consenting to the proposed action equals or exceeds the number of votes required at a meeting to authorize the proposed action; and
- (iv) If otherwise in compliance with Section 7513 of the Corporations Code of the State of California, as from time to time amended, or successor statute.

Section 3.10. Written Ballots and Proxies. Any form of proxy or written ballot distributed by any person to the Members shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons



## ARTICLE IV

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

Section 4.01. Number. The affairs of the Association shall be managed by a Board of five (5) Directors, who need not be Members of the Association.

Section 4.02. Term of Office; Elections. At the first annual meeting of Members of the Association, the Members shall elect five (5) Directors three (3) of whom shall serve for a term of two (2) years and two (2) of whom shall serve for a term of one (1) year. At each succeeding annual meeting thereafter the Members shall elect as many Directors as there are regular terms expiring at such time. The terms of the Directors elected at any election subsequent to the first election shall be such that not fewer than two (2) of the five (5) Directors shall have two (2) years remaining to serve.

Section 4.03. Initial Directors. The initial Directors shall be elected by the Declarant and shall serve until the first regular meeting of the Members as provided by Section 3.03.

Section 4.04. Director Elected by Members of the Association. From and after the first regular meeting of the Members of the Association and so long as (a) there are two classes of membership; or (b) a majority of the voting power of the Association resides in the Declarant, at least twenty (20%) percent of the Directors shall be elected solely by the vote of Members other than the Declarant. The Directors so elected shall serve for a term of two (2) years. The procedure for the election of such Director or Directors shall be as set forth in Section 4.05D.

#### Section 4.05. Nomination and Voting for Directors.

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

first annual meeting of the Members and shall be announced in the written notice of said first annual meeting.

B. Nominations From the Floor. Nominations from the floor shall be accepted at the annual meeting.

C. Voting. Election to the Board shall be by secret written ballot. 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 these Bylaws and the Declaration. The persons receiving the largest number of votes for Director shall be deemed elected. If more than two (2) Directors are to be elected, and one or more Members gives notice at the meeting and prior to the voting of his or her intention to cumulate votes, then each Member may cumulate the votes that he or she is entitled to cast and give one (1) candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which that Member is entitled to cast, or distribute the votes on the same principle among as many candidates as the Member thinks fit. No Member may cast cumulative votes for a candidate whose name is not placed in nomination prior to the voting.

D. If Section 4.04 applies, then notwithstanding any provision of this Section 4.05 to the contrary, the following procedures shall apply:

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

(2) At the annual meeting, the Board shall announce the number of positions to be filled solely by the vote of Members other than Declarant and the nominees to the Board shall, prior to the commencement of voting, announce whether they are standing for the Board positions to be filled by the votes of Members other than Declarant or the positions which may be filled by the votes of all Members, including Declarant. The election for the position or positions to be filled solely by vote of the Members other than Declarant shall be held first. At its completion, any nominee not elected may announce that he or she wishes to stand for election to a position for which all Members may vote. Voting shall proceed as set forth in 4.05 above except the Declarant shall not be entitled to cast its votes in connection with the Board position or positions to be filled solely by the votes of Members other than the Declarant. Members other than Declarant may cast their votes for nominees standing to fill

filled by the nominee or nominees obtaining the highest number of such votes.

(3) The election to fill the Board position or positions open only to the vote of Members other than Declarant may be by straight or cumulative voting and the election to fill the position or positions open to the vote of both Declarant and the other Members may be by straight or cumulative voting. The manner of voting may be different for each election. If cumulative voting is used to elect nominees to fill the Director positions for which both Declarant and the Members other than Declarant are entitled to vote then, in determining the number of such cumulative votes available to each Member, the Director position for which only the Members other than Declarant are entitled to vote shall be excluded.

Section 4.06. Removal from Office. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members. In the event of the death, resignation or removal of a Director, a successor shall be selected by the remaining Directors and shall serve for the unexpired term unless said Director was elected pursuant to Section 4.04, in which case a special election and meeting of the Members of the Association shall be held to fill the Director's unexpired term. Unless the entire Board is removed from office by the vote of the Members, no individual Director shall be removed prior to the expiration of that Director's term of office if the votes cast against that Director's removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Directors were then being elected. Directors who were elected pursuant to Section 4.03 may be removed from office prior to the expiration of their terms of office only by the vote of a simple majority of the voting power residing in Members other than the Declarant.

## ARTICLE V MEETINGS OF DIRECTORS

Section 5.01. Regular Meetings of the Directors;  
Notice. Regular meetings of the Directors shall ordinarily be held monthly at a time and place within the Project, or as near thereto as possible, as determined by the Board. Notice of regular meetings shall be posted at a prominent place or places within the Common Area and shall be communicated to the

resolution, may elect to hold meetings less frequently than monthly so long as the business to be transacted by the Board permits. In no event shall regular meetings of the Board be held less frequently than every three months.

Section 5.02. Special Meetings of the Directors;  
Notice. A special meeting of the Directors may be called by written notice signed by the President of the Association or by any two (2) Directors other than the President. Said notice shall specify the time and place of the meeting and the nature of any special business to be considered. Said notice shall be mailed postage prepaid or hand delivered to all Directors, and posted in the same manner prescribed in Section 5.01 for regular meetings not fewer than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that such notice need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 5.03. Actions Without Meetings. The Board may take actions without a meeting if all of the Directors consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Directors have been obtained.

Section 5.04. Meetings Open to Members. All regular and special meetings of the Directors shall be open to all Members of the Association; provided, however, that Members who are not Directors may not participate in any deliberation or discussion unless expressly authorized by the vote of a majority of a quorum of the Board.

Section 5.05. Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE VI  
POWERS, DUTIES AND  
LIMITATIONS OF THE BOARD

The Board shall have those powers and duties and be subject to those limitations set forth in the Declaration.

ARTICLE VII  
OFFICERS AND THEIR DUTIES

Section 7.01. Enumeration of Officers. The officers of the Association shall be a President, a Vice President, a Secretary, a Treasurer and such other officers as the Board may from time to time by resolution appoint. The President shall be a member of the Board. The officers need not be Members of the Association.

Section 7.02. Election of Officers. The officers of the Association shall be elected by the Board at the first meeting of the Board following each annual meeting of the Members of the Association. New offices may be created and filled at any meeting of the Board. Each officer shall hold office until his successor has been duly elected and qualified.

Section 7.03. Vacancies. A vacancy in any office because of the death or resignation of an officer, or because of other termination of service of an officer, may be filled by the Board for the unexpired portion of the term.

Section 7.04. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Such removal may, in the discretion of the Board, be given immediate effect. The acceptance of a resignation shall not be necessary to make a resignation effective. A resignation shall take effect on the date of receipt of the notice of resignation or at any later time specified therein.

Section 7.05. Multiple Offices. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 7.06. Duties. The duties of the officers are as follows:

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

B. The Vice President, or the Vice President so designated by the Board if there is more than one (1) Vice President, shall perform all the duties of the President in the absence of the President. Each Vice President shall perform such other

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

D. The Treasurer shall receive and deposit in appropriate bank accounts or other accounts, as established and maintained pursuant to the Declaration, all monies of the Association and, subject to the signature requirements on checks as set forth in Section 3.06(d)(vi) of the Declaration shall disburse such funds as directed by resolution of the Board; provided, however, that a resolution of the Board shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer may, but need not, be a required signatory on checks and notes of the Association. The Treasurer, or an appointed agent, shall keep proper books of account and cause an annual report of the Association books to be made by a certified public accountant at the completion of each fiscal year. The Treasurer or an appointed agent shall prepare an annual budget and an annual balance sheet statement, and the budget and balance sheet statement shall be open for inspection upon reasonable request by a Member. Assistant Treasurers, if any, shall perform all the duties of the Treasurer in the absence of the Treasurer. The Assistant Treasurer shall perform such other acts and duties as may be assigned to the office by the Board.

#### ARTICLE VIII COMMITTEES

Section 8.01. General. The standing committees of the Association shall be:

The Nominating Committee  
The Design Review Committee.

Each committee, other than the Design Review Committee, shall consist of a chairman and two (2) or more members and may, at the Board's discretion, be required to include one (1) or more Directors. The committees, other than the Design Review Committee and the Nominating Committee,

been appointed. The Board may create such other committees as it deems advisable. It shall be the duty of each committee to receive complaints from Members on any matter involving Association functions, duties or activities and within its scope of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director or officer of the Association that it determines may more appropriately handle the complaint.

Section 8.02. Nominating Committee. The Nominating Committee shall have the duties and functions described in Article IV of these Bylaws.

Section 8.03. Design Review Committee.

A. Members. The Design Review Committee shall consist of a chairman and two (2) additional members and shall include a member of the Board. The members shall be elected and serve as provided in the Declaration.

B. Duties and Functions. The Design Review Committee shall have the rights, powers and duties set forth in the Declaration.

## ARTICLE IX AMENDMENTS

Section 9.01. Amendments. These Bylaws may be amended, so long as there are Class A and Class B Members, only by approval (by vote or written consent) of a majority of the Total Voting Power of each class of membership and, after conversion of the Class B membership to Class A membership, only with the approval (by vote or written consent) of Members representing at least a majority of the total voting power of the Association and at least a majority of the voting power of the Association residing in Members other than Declarant. However, the percentage of voting power of each class of Membership in the Association and of Members other than Declarant necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes, if any, required for action to be taken under said clause or provision; and provided further, that any approval required by Section 11.03 of the Declaration is first obtained.

Section 9.02. Conflicts With Other Documents. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

Section 9.03. Records of Amendments. Whenever an amendment to a Bylaw or a new Bylaw is adopted, a copy of the Bylaw as amended or adopted shall be inserted into the book of Bylaws in the appropriate place. If any Bylaw repeals any provision of the Bylaws, the date of the meeting at which the repeal was enacted, or written assent was filed, shall be stated in such book.

## ARTICLE X ARBITRATION

Section 10.01. Matters Submitted to Arbitration. Any matter required by the provisions of the Declaration or these Bylaws to be submitted to arbitration shall proceed in accordance with the provisions of this Article. If any dispute arises between the Association and an Owner or its family, tenants or lessees or between Members of the Association which pertains to the rights, duties and obligations arising out of or in any way connected with the Declaration, the Articles or these Bylaws, such dispute may, at the election of the Board, be submitted to arbitration in accordance with the provisions of this Article. Each Member of the Association agrees, by the acceptance of a deed to a Lot, to arbitrate all such disputes submitted to arbitration pursuant to this section. Any matter submitted to arbitration pursuant to this section shall proceed in arbitration notwithstanding a party's absence due to a refusal to appear at, or be bound by, the arbitration.

Section 10.02. Selection of Arbitrator. The Board shall maintain a list setting forth an arbitrator or arbitrators who are acceptable to the Board and who have indicated their willingness to serve as arbitrator and whose fees for such services have been established by agreement with the Board. If the parties to the pending arbitration are able to agree upon an arbitrator named in the list, the agreed-upon person shall be notified and, upon such person's acceptance, shall be the arbitrator for that proceeding. If the parties are unable to agree upon a person named in said list, the Board shall (or any party to the arbitration may) petition the Superior Court in and for the County of Contra Costa for the appointment of an arbitrator or a procedure for the appointment of an arbitrator pursuant to Section 1281.6 of the Code of Civil Procedure of the State of California, as amended from time to time, or any successor statute.

Section 10.03. Governing Law and Procedure. The arbitration, except as otherwise specifically provided herein, shall be conducted pursuant to the procedures and governed by the law set forth in this



application and adopted by the Legislature of the State of California in lieu of said Title 9. The arbitrator may, but is not required to, use the rules of the American Arbitration Association as a guide in conducting said arbitration proceeding except when such are in conflict with such statutes or a specific provision of this Article.

Section 10.04. Costs. The costs of arbitration shall be advanced by the party requesting the arbitration. The prevailing party shall be entitled to, and shall receive, as part of the award, reimbursement for all costs, including its reasonable attorneys' fees and any costs advanced pursuant to this Section, incurred in the arbitration proceeding and any subsequent judicial proceeding arising therefrom.

Section 10.05. Commencement. An arbitration shall, in the case of arbitration required by the provisions of the Declaration, be commenced by filing with the Board a written demand for arbitration. All other arbitrations shall be commenced by delivery of written notice to the parties involved in the dispute of the decision by the Board to exercise its discretion to order arbitration. The Secretary, or other officer chosen by the Board, shall send such notice to all parties to the dispute by registered or certified mail.

## ARTICLE XI BUDGETS AND FINANCIAL STATEMENTS

Section 11.01. Financial Statements. Financial statements for the Association shall be regularly prepared and the Board of Directors shall distribute copies to each Member regardless of the number of Members or amount of assets of the Association as follows:

A. A pro forma operating statement (budget) for each fiscal year shall be distributed not less than 45 or more than sixty (60) days before the beginning of each fiscal year pursuant to Section 4.03 of the Declaration. The pro forma operating statement shall include all of the following as required by California Civil Code Section 1365:

(1) An estimate of the revenue and expenses of the Association on an accrual basis.

(2) Identification of the total cash reserves currently set aside by the Association.

ditions to, major components of the Common Areas and facilities and buildings for which the Association is responsible.

(4) A general statement explaining the procedures used to calculate and establish reserves for the future repair, replacement or additions to the major components in the Project that the Association is obligated to maintain.

B. A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot and an operating statement for the period from the date of the first closing to said accounting date shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by Lot number and street address, if any, and the name of the person assessed.

C. An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of each fiscal year:

(1) A balance sheet as of the end of the fiscal year.

(2) An operating (income) statement for the fiscal year.

(3) A statement of changes in financial position for the fiscal year.

(4) Any information required to be reported under Section 8322 of the Corporations Code.

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

E. In lieu of the distribution of the financial statements required by Subsections A, B, and C of this Section 11.01, the Board may elect to distribute a summary of the financial statements to all its Members with a written notice that the financial statements are available at the business office of the Association or at another suitable location within the boundaries of the project and the copies will be provided upon request and at the expense of the Association. If any Member requests copies of the financial

mail at the expense of the Association and delivered with (5) days. The written notice that is distributed to each Members shall be in at least 10-point bold type on the front page of the summary of the statements.

Section 11.02. External Audit. The annual report distributed to each Member in accordance with Section 11.01.C above shall be accompanied by a review prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000). If the annual report is not accompanied by such a review (because the gross income does not exceed Seventy-Five Thousand Dollars), it shall be accompanied by the certificate of an authorized officer of the Association stating that the report was prepared without audit from the books and records of the Association.

Section 11.03. Review of Financial Statements. Not less frequently than quarterly, the Board shall:

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

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

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

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

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

ARTICLE XII  
INSPECTION OF  
ASSOCIATION'S BOOKS AND RECORDS

Section 12.01. Members' Inspection Rights. The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members and meetings of the Board and of committees of the Board, if any, shall be made available for inspection and copying by any Member of the Association or by the Member's duly appointed representative at any reasonable time and for any purpose reasonably related to the Member's interest as a Member

at the office of the Association or at such other place within the Project as the Board shall prescribe. Any Member may request an audit of the books of account at any time but shall bear the entire cost of any such audit.

Section 12.02. Rules. The Board shall establish reasonable rules with respect to:

A. Notice to be given to the custodian of records by the Member desiring to make the inspection.

B. Hours and days of the week when such an inspection may be made.

C. Payment of the costs of reproducing copies of any documents requested by the Member.

Section 12.03. Directors' Inspection Rights. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and all physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make copies of documents.

### ARTICLE XIII MORTGAGEE PROTECTION

Section 13.01. Notice to Association. An Owner who mortgages a Lot shall notify the Association, in writing, through the management agent, if any, or the President in the event there is no management agent, of the name and address of the Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots". Any such Owner shall likewise notify the Association, in writing, of the release or discharge of any such Mortgage.

Section 13.02. Notice of Unpaid Assessments. The Association shall, at the request of a Mortgagee of a Lot, report any unpaid assessments due from the Owner of such Lot.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Magee Ranch Homeowners Association, a California corporation; and

That the foregoing Bylaws constitute the original Bylaws of said corporation, as duly adopted by the Board of Directors thereof on the 17<sup>th</sup> day of October, 1989.

Susan Wingate  
Secretary