

BYLAWS  
OF  
VICTORIA RANCH HOMEOWNERS  
ASSOCIATION

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BYLAWS  
OF  
VICTORIA RANCH HOMEOWNERS  
ASSOCIATION

ARTICLE I

NAME AND LOCATION

1.01 The name of the corporation for which these are the Bylaws is VICTORIA RANCH HOMEOWNERS ASSOCIATION, (hereinafter referred to simply as the "Association"). The principal office of the Association shall be located at the address of the Incorporator until such time as the first (organizational) meeting of the Members is held, and thereafter it shall be located at the address of the Planned Development.

ARTICLE II

DEFINITIONS

2.01 The definitions contained and set forth in the Declaration of Covenants, Conditions, and Restrictions for the VICTORIA RANCH Planned Development in the City of San Marcos, San Diego County, California hereinafter referred to simply as the "Declaration", are incorporated herein by reference and made a part hereof as though set forth in full.

ARTICLE III

MEETING OF MEMBERS AND VOTING

3.01 Annual Meeting. The first (organizational) meeting of the Members shall be held within one (1) year from the date of incorporation or establishment of the Association, and not later than six (6) months after the close of escrow on the sale of the first (1st) Lot in the Planned Development, or within forty-five (45) days after the closing of the sale of the Lot in the Planned Development which represents the fifty-first (51st) percentile interest authorized for the sale under the first public report for the Planned Development, whichever occurs first. The date, time, and place of the first annual meeting shall be set by the Board at

the organizational meeting so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent regular annual meetings of the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter, at the same hour of the day. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

3.02 Special Meetings. A special meeting of the Members shall be promptly scheduled by the Board of Directors in response to the vote of the Board itself or a written request for a special meeting signed by Members representing at least five (5%) percent of the total voting power of the Association. The provisions of the Declaration, as related to special meetings of the Association, are incorporated herein by reference and made a part hereof as though set forth in full.

3.03 Notice and Place of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of the secretary or person authorized to call the meeting, by personal delivery or mailing a copy of such notice, postage prepaid, at least ten (10) days, but not more than ninety (90) days before such meeting to each institutional lender requesting notice and to each member, 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. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Notwithstanding any other provision of law, notice of meetings of the Members shall specify 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. Meetings shall be held within the Planned Development, or at a meeting place within the same county and as close to the Planned Development as possible. Institutional lenders may designate in writing a representative to attend all meetings, and are hereby authorized to furnish information to the Association concerning the status of any loan encumbering a Lot within the Planned Development.

3.04 Quorum. The presence at any meeting, either in person or proxy, of Members entitled to cast at least fifty-one (51%) percent of the total voting power of the Association shall constitute a quorum for any action except as otherwise provided in the Planned Development Documents. If, however, such quorum shall not be present or represented at any meeting, a majority of the Members

entitled to vote thereat shall have the power to adjourn the meeting to date not less than five (5) days nor more than thirty (30) days from the meeting date, at which meeting the quorum requirements shall be one-third (1/3) of the total voting power. 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 annual meetings. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum; provided that at least twenty-five (25%) percent of the total voting power of the Association remains present in person and/or by proxy, and provided further that any action taken shall be approved by at least a majority of the Members required to constitute a quorum.

3.05 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot, or upon receipt of notice by the secretary of the Board of the death or judicially declared incompetence of a member, or upon the expiration of eleven (11) months from and after the date of its execution, unless the Member executing it specifies therein the length of time for which the proxy is to continue in force, which in no case may exceed three (3) years from and after the date of its execution. Every form of proxy or written ballot which provides an opportunity to specify approval, disapproval with respect to any proposal shall also contain a space marked "abstain". Any form of proxy or written ballot distributed by any person to the membership of the Association 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 authorized to exercise the proxy and the length of time it will be valid.

3.06 Membership Classes and Voting Rights. Membership shall be held as provided in the Declaration. Voting rights attributable to Lots shall not vest until assessments against those Lots have been levied by the Association. The Association shall have two (2) classes of voting membership:

(a) Class A. Class A Members shall be all Owners with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members, and 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.

(b) Class B. Class B Members shall be the Declarant, and shall be entitled to vote as follows: voting shall be the same as for Class A memberships, except that the Class B Members may triple their votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) The second anniversary of the first Close of Escrow in the most recent Phase of the Planned Development; or

(2) The fourth anniversary of the first Close of Escrow in the first Phase of the Planned Development;

3.07 Action Without Meeting. Any action which may be taken by the vote of Members at a regular meeting or special meeting, except the election of the Members of the Board of Directors, may be taken without a meeting if done in compliance with the provisions of Sections 7513 and 7516 of the California Corporations Code.

3.08 Conduct of Meetings. Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedure as the Association may adopt.

3.09. Open Meeting Act Requirements. Notwithstanding any other language included herein, in accordance with Civil Section 1363.05, the Common Interest Development Open Meeting Act, the following procedures shall be followed:



(a) Any member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, or personnel matters. The Board of Directors shall 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 shall be entitled to attend the executive session.

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

(c) The minutes, the 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 an 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 for making that distribution.

(d) Members of the Association shall be notified in writing at the time that the proforma budget required in Civil Code Section 1365 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 meetings of the Board of Directors, and how and where those minutes may be obtained.

(e) As used in this section, "meeting" includes any congregation of a majority of the members of the Board of Directors 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.

(f) Unless the time and place of meeting is fixed by the Bylaws, or unless the Bylaws provide for a longer period of notice, members shall be given notice of the time and place of a meeting as defined in section (e), except for an emergency meeting, at least four (4) 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.

(g) An emergency meeting of the Board of Directors may be called by the President of the Association, or by any two (2) members of the governing body other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board of Directors, and which of necessity make it impracticable to provide notice as required by this section.

3.10. Meeting Requirements of Civil Code Section 1368.4.  
In accordance with Civil Code Section 1368.4, not later than thirty (30) days prior to the filing of any civil action by the Association against the declarant or other developer of a common interest development for alleged damage to the Common Area, alleged damage to the separate interests that the Association is obligated to maintain or repair, or alleged damage to the separate interests that arises out of, or is integrally related to, damage to the Common Areas or Separate Interests that the Association is obligated to maintain or repair, the Board of Directors of the Association shall provide written notice to each member of the Association who appears on the records of the Association when the notice is provided. This notice shall specify all of the following:

(1) That a meeting will take place to discuss problems that may lead to the filing of a civil action.

(2) The options, including civil actions, that are available to address the problems.

(3) The time and place of this meeting.

(4) Notwithstanding language included in this Section 3.10, if the Association has reason to believe that the applicable statute of limitations will expire before the Association files the civil action, the Association may give the notice, as described herein, within thirty (30) days after the filing of the action.

#### ARTICLE IV

#### BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE, MEETINGS, POWERS AND DUTIES

4.01 Number. The affairs of this Association shall be managed by a Board of three (3) Directors, who need not be Members of the Association until conversion of Class B membership to Class A, after which time all Directors must be members of the Association.

The initial Directors shall be appointed by Declarant and shall hold office until their successors are elected at the first (organizational) meeting of the Members.

4.02 Term of Office. At the first (organizational) meeting of the Association, the Members shall elect three (3) Directors to serve until the first annual meeting. At the first annual meeting and each annual meeting thereafter, the Members shall elect two (2) Directors for a term of two (2) years and one (1) directors for a term of one (1) year, but in the event that any such annual meeting is not held, or the Directors not elected at such meeting, the Directors may be elected at any special meeting of the Association held for that purpose, and all incumbent Directors shall hold their office until their successors are elected.

4.03 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Notice to the Members of the Association of the meeting shall include the names of all those who are nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairman, who shall be a director, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Association, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidate shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

4.04 Election. The first election of the Board shall be conducted at the first (organizational) meeting 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 Planned Development Documents. The persons receiving the largest number of votes shall be elected. Cumulative voting shall be utilized during all elections in which two (2) or more positions on the Board are to be filled. Voting for Directors shall be by secret written ballot. So long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents on the Board (at least one [1] Director) shall have been elected solely by the votes of the Owners other than the Declarant. A Member shall be entitled to cumulate his or her vote

for one or more candidates for the Board of Directors if the candidate's name has been placed in nomination prior to voting and if the Member has given notice at the meeting prior to the voting of his or her intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

4.05 Removal; Vacancies. Unless the entire Board is removed from office by a simple majority vote of Association Members, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect him 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 were then being elected. A director who was elected solely by the votes of Members other than the Declarant may be removed from office prior to the expiration of his term only by the votes of a majority of Members other than the Declarant. In the event of death or resignation of a Director, his successor shall be selected by a majority of the remaining Directors 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. Any vacancy created by the removal of a Director can be filled only by election of the Members.

4.06 Regular Meetings. Regular meetings of the Board of Directors shall be held no less than quarterly at such place within the Planned Community and at such hour as may be fixed from time to time by resolution of the Board. The meeting place shall ordinarily be with the Planned Community itself unless in the judgment of the Board of Directors a larger meeting room is required than exists within the Planned Community in which case the meeting room selected shall be as close as possible to the Planned Community. Should said meeting fall upon a legal holiday, then the meeting shall be held at the same time on the next day which is not a legal holiday. Notice of the time and place of meeting 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 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. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

4.07 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 other than the president. 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 personally delivered or mailed to all Directors and posted at a prominent place within the Common Area not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to any Director who signed a waiver of notice or a written consent to holding of the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

4.08 Quorum; Notice of Adjourned Meeting. A majority of the number of Directors shall constitute a quorum and be necessary for the transaction of business, except to adjourn until the time fixed for the next regular meeting of the Directors. 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 at least a majority of the required quorum for the meeting. Notice of the time and place of holding the 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 the adjournment, and shall be posted at a prominent place within the Common Area. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after the meeting. If the Common Area consists of only an easement or is otherwise unsuitable for posting of such notice or explanation, the Board shall communicate such notice or explanation by any means it deems appropriate.

4.09 Open Meetings. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, or personnel matters. All other meetings of the Board shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

4.10 Participation in Meetings by Directors. In accordance with Civil Code Section 7211, members of the Board may participate in a meeting through use of conference telephone, electronic video screen communications, or other communications equipment. Participation in a meeting pursuant to Section 7211 constitutes presence in person at that meeting if all of the following apply:

(A) Each member participation in the meeting can communicate with all of the other members concurrently:

(B) Each member is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection, to a specific action to be taken by the Corporation.

(C) The Corporation adopts and implements some means of verifying both of the following:

(i) A person communicating by telephone, electronic video screen, or other communications equipment is a director entitled to participate in the Board meeting.

(ii) All statements, questions, actions, or votes were made by that director and not by another person not permitted

4.11 Executive Session. The Board may, with approval of a majority of its members present at a meeting in which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The 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 the Member being disciplined, and the Member shall be entitled to attend the executive session.

4.12 Action Taken Without a Meeting. The Directors may take any action in the absence of a meeting which they are required or permitted to take at a meeting, by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the 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 (3) days after the written consents of all Directors have been obtained. If the Common Area consists of only an easement or is otherwise unsuitable for posting the explanation of the action taken, the Board shall communicate said explanation by any means it deems appropriate.

4.13 Duties. It shall be the duty of the Board of Directors to:

(a) Maintenance: Maintain the Planned Development the accordance with the provisions of the Planned Development Documents.

(b) Insurance: Procure and maintain insurance as required by the provisions of the Planned Development Documents.

(c) Discharge of Liens: Discharge by payment, if necessary, any lien against the Common Area and assess the cost thereof to the Member or Members responsible for the existence of said lien.

(d) Assessments: Fix, levy, collect, and enforce assessments as set forth in the Planned Development Documents.

(e) Expenses and Obligations: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

(f) Records: Cause to be kept a complete record of all its acts and affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4th) of the Class A Members; keep adequate and correct books and records of account, minutes of its own proceedings and those of its committees, and a record of its Members and the members of the

Association, giving their names and addresses and classes of membership.

(g) Supervision: Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed.

(h) Enforcement: Enforce the provisions of the Planned Development Documents.

4.14 Powers. The Board of Directors shall have the power to:

(a) Manager: Employ a manager as provided in the Planned Development Documents.

(b) Adoption of Rules: Adopt rules in accordance with the provisions of the Planned Development Documents.

(c) Assessments, Liens, and Fines: Levy and collect assessments and impose fines as provided in the Planned Development Documents.

(d) Enforcement: Enforce the provisions of the Planned Development Documents.

(e) Contracts: Contract for goods and/or services in accordance with the provisions of the Planned Development Documents.

(f) Delegation: Delegate its authority and powers to committees, officers, or employees of the Association.

(g) Partition: Sell the Planned Development, in the event of partition pursuant to the provisions of the Declaration.

4.15 Prohibited Acts. The Board of Directors shall not take any of the following actions except with the vote or written consent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant, or where the two-class voting structure is still in effect as provided in the Planned Development Documents, a majority of each class membership:



(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or U.S. Department of Veterans Affairs (if either of these entities is the holder, insurer or guarantor of any loan or mortgage on any Lot in the Planned Development);

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

(3) Prepaid casualty and/or liability insurance policies of not-to-exceed three (3) years duration, provided that the policy permits short-rate cancellation by the insured.

(4) Lease agreements for laundry room fixtures and equipment of not-to-exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(5) Agreements for cable television services and equipment or satellite services and equipment of not-to-exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation, and services of not-to-exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incurring, during any fiscal year, any expenditures for capital improvements to the Common Area; or, if the Planned Development has not been submitted to and approved by the VA, aggregate expenditures for such purposes, in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Selling, during any fiscal year, any property of the Association; or, if the Planned Development has not been submitted to and approved by the VA, any such property having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(d) Paying compensation to Directors or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(e) Filling a vacancy on the Board of Directors created by the removal of a Director.

4.16 Compensation. Except as provided in Paragraph 4.14 (d) hereinabove, no Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

4.17 Indemnification of Officers and Directors. Each Director and officer shall be indemnified by the Association and the Members against all expenses and liabilities, including attorneys' 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 to which he may become involved, by reason of his being or having been a Director or officer of the Association, except in cases of fraud, gross negligence or bad faith of the Director or officer in the performance of his duties.

#### 4.18 Financial Accounts; Reserve Study.

(a) On at least a quarterly basis, the Board of Directors shall review: a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget, the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts, and an income and expense statement for the Association's operating and reserve accounts.

(b) The signatures of at least two persons, who shall be Members of the Association's Board of Directors, or one officer who is not a Member of the Board and one Member of the Board, shall be required for the withdrawal of monies from the Association's reserve accounts, meaning monies that the Association's Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

(c) The Board of Directors shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation, involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repairs, restore, replace or maintain and for which the reserve fund was established. The Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of initial transfer except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Planned Development, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this paragraph. This special assessment is subject to the limitation imposed by Section 1366, unless the special assessment is to pay for legal costs associated with litigation involving the repair, restoration, replacement, or maintenance of major components which the Association is

obligated to repair, restore, replace, or maintain. The Board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

(d) When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the members of the Association of that decision in the next available mailing to the members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the Association at the Association's office.

(e) At least once every three years the Board of Directors shall cause a study of the reserve account requirements of the Planned Development 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 review this study each year and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required by this paragraph shall at a minimum include:

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

(2) Identification of the probable remaining useful life of the components identified in subparagraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in subparagraph (1) during and at the end of their useful life.

(4) An estimate of the total annual assessment necessary to defray the cost to repair, replace, restore, or maintain the components identified in subparagraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(f) As used in this section, "reserve account requirements" means the estimated funds which the Association's Board of Directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

4.19 Minutes of Meeting. 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, the 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. Members of the Association shall be notified in writing at the time that the pro forma budget required in Civil Code Section 1365 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 meetings of the Board of Directors and how and where those minutes may be obtained.

## ARTICLE V

### OFFICERS AND THEIR DUTIES

5.01 Enumeration of Officers. The officers of the Association shall be a president and vice-president, who shall at all times be Directors, a secretary, and chief financial officer (treasurer), and such other officers as the Board may from time to time create by resolution.

5.02 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 Association.

5.03 Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless the officer resigns, or shall be removed, or otherwise disqualified to serve.

5.04 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.

5.05 Resignation and Removal. Any officer may be removed from office 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.

5.06 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.

5.07 Multiple Offices. After the first (organizational) meeting of the Members of the Association has been held, no person shall simultaneously hold more than one office, except that the offices of secretary and chief financial officer may be held by the same person, and except in the case of special offices created pursuant to Paragraph 5.04 of this Article.

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

(a) 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 co-sign all checks and promissory notes.

(b) 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.

(c) Secretary. The secretary shall record all votes and keep the minutes of all meetings and proceedings of the Board and of the Association, serve notice of meetings of the Board and of the Association; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Chief Financial Officer. The chief financial officer 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 co-sign all checks and promissory notes of the Association; shall keep proper books of account; shall prepare and distribute financial statements to each Member of the Association as follows.

5.09 Documents to be Prepared and Distributed to Members. An appropriate officer of the Association shall prepare and distribute to all of its members the following documents:

(a) A proforma operating budget for the immediately ensuing fiscal year, which shall include all of the following, shall be annually distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year;

(1) The estimated revenue and expenses on an accrual basis.

(2) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to California 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 component.

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

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

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

(C) The percentage that the amount determined for purposes of clause (ii) of subparagraph (B) is of the amount determined for purposes of clause (i) of subparagraph (B).

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

(4) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain.

(b) A review of the financial statement of the Association shall be 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 (\$75,000.00). A copy of the review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year.

(c) In lieu of the distribution of the pro forma operating budget required by subparagraph (a), the Board of Directors may elect to distribute a summary of the proforma operating budget to all Members with a written notice that the pro forma operating budget is available at the business office of the Association or at another suitable location within the boundaries of the Planned Development and that copies will be provided upon request and at the expense of the Association. If any Member requests that a copy of the pro forma operating budget required by subparagraph (a) be mailed to the Member, the Association shall provide the copy to the Member by first class United States mail at the expense of the Association and deposited so as to be delivered within five days. The written notice that is distributed to each of the Association's Members shall be in at least 10-point bold type on the front page of the summary of the budget.



(d) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

(e) 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 in the Planned Development, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable identified by the numbers of the Lots and the name or names of the Owners assessed.

(f) An annual report consisting of: (A) a balance sheet as of the end of the Association's fiscal year, (B) an operating (income) statement for the fiscal year, (C) a statement of changes in financial position for the fiscal year, and (D) any information required to be reported under Section 8322 of the California Corporations Code, shall be distributed within one hundred twenty (120) days after the close of the fiscal year. If this report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association indicating that the statements were prepared without audit from the books and records of the Association.

(g) The foregoing duties may be delegated to a manager appointed by the Board.

(h) The fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation or establishment of the Association.

## ARTICLE VI

### BOOKS AND RECORDS

6.01 Inspection by Members. Members of the Association shall have access to Association records in accordance with Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. The Planned Development Documents, the membership register (including names, telephone numbers, mailing addresses, and voting rights), books of account and minutes of meetings of the Association, Board, and committees shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Planned Development as the Board may prescribe.

6.02 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.

6.03 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 reasonable charge.

## ARTICLE VII

### DISCIPLINING OF MEMBERS BY THE ASSOCIATION.

7.01 Abridgement of Use of Common Area. The Board of Directors is hereby prohibited, in accordance with Section 2792.26 of the California Code of Regulations, from causing a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Lot on account of the failure of the Owner to comply with the provisions of the governing instruments or of the duly enacted rules of operation for common areas and facilities except by judgement of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association.

7.02. Monetary Penalties; Temporary Suspensions. The Board of Directors is hereby authorized to impose monetary penalties, temporary suspensions of an Owner's rights as a member of the Association, or other appropriate discipline for failure to comply with the governing instruments provided that the procedures for notice and hearing, satisfying the minimum requirements of Section 7341 of the Corporations Code are followed with respect to the accused member before a decision to impose discipline is reached.

7.03. Treatment of a Monetary Penalty. A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Areas and facilities for which the member was allegedly responsible or in bringing a member and his Condominium in compliance with the governing instruments may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the members Lot enforceable by a sale of the Lot in accordance with the provisions of Sections 2924, 2924 (b) and 2924 (c) of the Civil Code. The provisions of this Section 7.03 do not apply to charges imposed against an Owner consisting of reasonable late pay payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its effort to collect delinquent assessments.

## ARTICLE VIII

### MISCELLANEOUS

8.01 Committees. The Board of Directors shall appoint an Architectural Control Committee, as provided in the Declaration and a Nominating Committee, as provided in the Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

8.02 Assessments. Regular and special assessments levied pursuant to the Planned Development Documents are delinquent fifteen (15) days after they become due. If an assessment is delinquent, the Association may recover all of the following:

(a) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

(b) A late charge not exceeding ten percent (10%) of the delinquent assessment or ten dollars (\$10.00), whichever is greater.

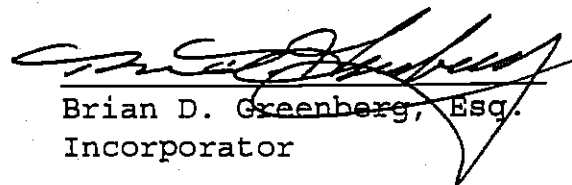
(c) Interest on all sums imposed in accordance with the section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed twelve percent (12%) interest, commencing thirty days after the assessment becomes due. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

8.03 Amendments. Prior to close of escrow on the sale of the first Lot, the Declarant may amend these Bylaws with the consent of the Department of Real Estate. After of sale of the first Lot these Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of the total voting power of the Association, which shall include a majority of the votes or written consent of Members other than the Declarant, or where the two-class voting structure is still in effect, shall include a majority of each class of Members. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative vote required for action to be taken under that clause. In the event that the Planned Development has been submitted by Declarant to, and has been approved by, the United States Department of Veterans Affairs, any amendment to these Bylaws shall require the prior written approval of this

agency as long as the two-class voting structure is still in effect for the Association, in which case a draft of any amendment should be submitted to this agency for approval prior to its approval by the membership of the Association.

8.04 Conflicts. 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. In case any of these Bylaws conflict with the provisions of the Common Interest Development Act of the State of California, the provisions of said statute shall control.

IN WITNESS WHEREOF, I, the undersigned do hereby certify that I am the Incorporator of the VICTORIA RANCH HOMEOWNERS ASSOCIATION, that I assent to the within and foregoing Bylaws and the provisions of Corporations Code Section 7134, and that I have subscribed my name to these Bylaws on this 11th day of August, 1998.

  
Brian D. Greenberg, Esq.  
Incorporator

**RATIFICATION**

I, the undersigned, do hereby certify:

That I am the duly elected and the acting Secretary of the **VICTORIA RANCH HOMEOWNERS ASSOCIATION**, a California nonprofit mutual benefit corporation.

That the foregoing Bylaws constitute the original Bylaws of said Association, as previously adopted by the Incorporator on August 11, 1998 pursuant to Corporations Code Section 7134.

That the adoption of the forgoing Bylaws by the Incorporator was ratified at a meeting of the Board of Directors of the Association held on the 11th day of December, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 11th day of December, 1998.

  
Secretary