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3 BYLAWS OF
4 BAY CREEK HOMEOWNERS ASSOCIATION
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1 ARTICLE I. PLAN OF CONDOMINIUM OWNERSHIP

2
3 Section 1.01. The name of the corporation is BAY CREEK HOME-
4 OWNERS ASSOCIATION ("Association").

5 Section 1.02. The principal office of the Association is
6 located at the corner of Yerba Buena and Main, Morro Bay,
7 California. The Board of Directors is hereby granted full power
8 and authority to change the principal office of the Association
9 from one location to another in the County of San Luis Obispo,
10 California. Any such change shall be noted by the Secretary in
11 these Bylaws, but shall not be considered an amendment of these
12 Bylaws.

13 Section 1.03. These Bylaws are applicable to the residential
14 condominium project consisting of a nine unit condominium
15 ("Project"), located at Yerba Buena and Main, Morro Bay, in San
16 Luis Obispo County, California. These Bylaws are also applicable
17 to all Members of the Association and all tenants, employees, and
18 other persons who use the facilities of the Project in any manner.

19 Section 1.04. Unless otherwise specified in these Bylaws, the
20 definitions set forth in Article I of the Declaration for BAY CREEK
21 HOMEOWNERS ASSOCIATION ("Declaration") recorded or to be recorded
22 in the Office of the Recorder of San Luis Obispo County,
23 California, apply to these Bylaws.

24 Section 1.05. The qualification for membership provisions of
25 Section 4.02 of the Declaration are hereby incorporated by
26 reference.

27 ARTICLE II. MEETINGS OF MEMBERS

28 Section 2.01. All meetings of the Members shall be held at a

1 place designated by the Board. This meeting place shall be within
2 the Project or as close to it as possible. If no meeting place is
3 designated, the meetings shall be held at the principal office of
4 the Association. No meeting of the Members shall, unless unusual
5 conditions exist, be held outside of San Luis Obispo County,
6 California.

7 Section 2.02. The first meeting of the Members of the Asso-
8 ciation shall be held within 45 days after the close of escrow for
9 the sale of the Unit that represents the fifty-first percentile
10 interest authorized for sale under the first final subdivision
11 public report issued for the Project by the California Real Estate
12 Commissioner, or within six months after the closing of the sale of
13 the first Unit within the Project, whichever is earlier. Thereaf-
14 ter, the annual meeting of the Members shall be held on the first
15 Tuesday of January of each succeeding calendar year at the hour of
16 7:00 PM. If the day for the annual meeting of the Members is a
17 legal holiday, the meeting shall be held at the same hour on the
18 next day that is not a Saturday, Sunday, or legal holiday.

19 Section 2.03. Special meetings of the Members may be called
20 for any lawful purpose by a majority of a quorum of the Board, the
21 President of the Association, or by a written request signed by
22 Members representing at least 5% of the total voting power of the
23 Association. The special meeting shall be held not less than 35
24 nor more than than 90 days after adoption of the resolution or
25 receipt of the request. Only that business stated in the notice of
26 meeting given pursuant to Section 2.04 of these Bylaws shall be
27 transacted at the special meeting.

28 Section 2.04.. The Secretary of the Association shall give

1 written notice of any Members' meeting to each Member of record.
2 Except as otherwise provided in this Section, the notice shall be
3 given at least 10 but not more than 90 days before the meeting, by
4 first class mail or personal delivery. The notice shall be ad-
5 dressed to the Member at the address appearing on the books of the
6 Association, or the address supplied by the Member to the Asso-
7 ciation for this purpose. If there is no such address, notice
8 shall be given at the principal office of the Association or by
9 publication at least once in a newspaper of general circulation in
10 the county in which the principal office is located. The notice
11 shall state the place, date, and time of the meeting. If Directors
12 are to be elected at the meeting, the notice shall include the
13 names of all those who are nominees at the time the notice is
14 given. In the case of an annual meeting, the notice shall also
15 state those matters that the Board, at the time the notice is
16 given, intends to present for action by the Members. In the case
17 of a special meeting, the following additional notice requirements
18 apply: (1) the notice shall state those matters that the Board, at
19 the time notice is given, intends to present for action by the
20 Members; and (2) if the special meeting is called by Members,
21 pursuant to Section 2.03 of these Bylaws, the notice shall be given
22 within 20 days after receipt of the request for the meeting. If
23 that 20-day requirement is not satisfied, the Members who called
24 the meeting may give the notice.

25 Section 2.05. The transactions of any meeting of Members,
26 however called and noticed, shall be as valid as though taken at a
27 duly called, noticed, and held meeting, if: (1) a quorum is present
28 either in person or by proxy; and (2) either before or after the

1 meeting, each of the Members not present in person or by proxy
2 signs a written waiver of notice, or a consent to the holding of
3 the meeting, or an approval of the Minutes of the meeting. Any
4 such waiver, consent, or approval shall be filed with the corporate
5 records or made a part of the Minutes of the Meeting.

6 Section 2.06. The voting of membership provision set forth in
7 Section 4.04 of the Declaration is hereby incorporated by
8 reference.

9 Section 2.07. The Board shall fix, in advance, a record date
10 or dates for the purpose of determining the Members entitled to
11 notice of and to vote at any meeting of Members. The record date
12 for notice of a meeting shall not be more than 90 nor less than 10
13 days before the date of the meeting. The record date for voting
14 shall not be more than 60 days before the date of the meeting or
15 before the date on which the first written ballot is mailed or
16 solicited. The Board may also fix, in advance, a record date for
17 the purpose of determining the Members entitled to exercise any
18 rights in connection with any other action. Any such date shall
19 not be more than 60 days prior to the action.

20 Section 2.08. At any meeting, the presence either in person
21 or by proxy of Members entitled to cast at least 51% of the total
22 voting power of the association shall constitute a quorum for any
23 action except as otherwise provided in the Articles, Bylaws, or
24 the Declaration. The Members present at a duly called or held
25 meeting at which a quorum is present may continue to transact
26 business until adjournment notwithstanding the withdrawal of enough
27 Members to leave less than a quorum, if the action taken, other
28 than adjournment, is approved by at least a majority of members

1 required to constitute a quorum. If a quorum is not present at any
2 time at a duly called meeting, a majority of those Members present
3 in person or by proxy may adjourn the meeting to a time not less
4 than five days nor more than 30 days from the meeting date, but no
5 other business may be transacted. An adjourned meeting may be held
6 without written notice, provided that notice is given by announce-
7 ment at the original meeting. If no such announcement is made, or
8 if the selected date is changed after adjournment, notice of the
9 time and place shall be given to Members in the manner provided in
10 Section 2.04 of these Bylaws. The quorum for the adjourned meeting
11 shall be 35%.

12 Section 2.09. At all meetings of Members, each Member may
13 vote in person or by proxy. All proxies shall be in writing and
14 filed with the Secretary of the Association. Every proxy shall be
15 revocable and shall automatically cease upon conveyance of its
16 maker's membership, or upon receipt of written notice by the
17 Secretary of the maker's death or judicially declared incapacity.
18 No proxy shall be valid after the expiration of 11 months from its
19 date of execution, unless otherwise provided in the proxy. Howev-
20 er, the maximum term of any proxy shall be three years from its
21 date of execution. The maker of a proxy may revoke it by deliver-
22 ing a written revocation to the Association, by executing a subse-
23 quent proxy and presenting it to the meeting, or by attending any
24 meeting and voting in person.

25 Any revocable proxy covering any of the following matters that
26 require a vote of the members is not valid as to those matters
27 unless it sets forth the general nature of the matter to be voted
28 upon:

1 (a) Removing a director without cause, pursuant to Section
2 3.06(b) of these Bylaws;

3 (b) Filing director vacancies pursuant to Section 3.07 of
4 these Bylaws;

5 (c) Entering into or approving a contract or transaction
6 between the Association and one or more the Directors, or between
7 the Association and any entity in which one or more of the Direc-
8 tors has a material financial interest, when the material facts of
9 the contract or transaction are fully disclosed pursuant to Section
10 7233 of the California Corporations Code;

11 (d) Amending the articles or bylaws to repeal, restrict,
12 create, or expand proxy rights;

13 (e) Amending the Articles after approval by the Board, in
14 accordance with Section 7812 of the California Corporations Code;

15 (f) Disposing of assets other than in the usual and regular
16 course of corporate activities pursuant to Section 7912(a)(2) of
17 the California Corporations Code;

18 (g) Approving merger terms pursuant to Section 8012 of the
19 California Corporations Code;

20 (h) Adopting an amendment to a merger agreement that changes
21 any of the principal terms pursuant to Section 8015(a) of the
22 California Corporations Code;

23 (i) Electing to dissolve the Association, by approval of a
24 majority of all members or by approval of both the Board and
25 Members pursuant to Section 8610 of the California Corporations
26 Code; or

27 (j) If the corporation has more than one class of memberships
28 outstanding upon dissolution, approving a plan of distribution of

1 assets which is not in accordance with the liquidation rights of
2 those classes, pursuant to Section 8719(a) of the California
3 Corporations Code.

4 Section 2.10. Any action that may be taken at a meeting of
5 the Members, except for the election of Directors, may be taken
6 without a meeting provided in the following ballot requirements are
7 satisfied:

8 (a) The Corporation shall distribute a written ballot to
9 every Member entitled to vote on the matter. The ballot shall be
10 solicited in the same manner as provided in Section 2.04 of these
11 Bylaws for the giving of notice of meetings of Members.

12 (b) The ballot shall set forth the proposed action, provide
13 an opportunity to specify approval or disapproval of any proposal,
14 provide a reasonable time within which to return the ballot,
15 indicate the number of responses needed to meet the quorum require-
16 ment, and state the percentage of approvals necessary to pass the
17 measure submitted.

18 (c) The proposed action shall be considered approved if:

19 (1) The number of votes cast by ballot within the
20 specified time period equals or exceeds the quorum required to be
21 present at a meeting authorizing the action; and

22 (2) The number of approvals equals or exceeds the number
23 of votes that would be required for approval of a meeting at which
24 the total number of votes cast was the same as the number of votes
25 cast by ballot.

26 (d) No written ballot shall be revoked.

27 Section 2.11. Any approval by the Members of the following
28 proposals, other than unanimous approval by those entitled to vote,

1 shall be valid only if the general nature of the approved proposal
2 was stated in the notice of meeting or any waiver of notice of
3 meeting:

4 (a) Removing a director without cause pursuant to Section
5 3.06(c) of these Bylaws;

6 (b) Filing vacancies on the Board pursuant to Section 3.07 of
7 these Bylaws;

8 (c) Entering into or approving a contract or transaction
9 between the Association and one or more of the Directors, or
10 between the Association and any entity in which one or more of the
11 Directors has a material financial interest, when the material
12 facts of the contract or transaction are fully disclosed pursuant
13 to Section 7233 of the California Corporations Code;

14 (d) Amending the Articles after approval by the Board, in
15 accordance with Section 7812 of the California Corporations Code;

16 (e) Electing to dissolve the Association, by approval of a
17 majority of all members or by approval of both the Board and
18 Members pursuant to Section 8610 of the California Corporations
19 Code; or

20 (f) If the corporation has more than one class of memberships
21 outstanding upon dissolution, approving a plan of distribution of
22 assets which is not in accordance with the liquidation rights of
23 those classes, pursuant to Section 8719 of the California Corpo-
24 rations Code.

25 ARTICLE III. BOARD OF DIRECTORS

26 Section 3.01. The affairs of this Association shall be
27 managed and its duties and obligations performed by an elected
28

1 Board of Directors, consisting of five persons who shall, with the
2 exception of the Initial Directors elected pursuant to Section 3.03
3 of these Bylaws, be Members of the Association.

4 Section 3.02. Except in the case of Initial Directors,
5 nominations for election to the Board of Directors may be made by
6 any of the following:

7 (a) A nominating committee appointed by the Board at least 90
8 days prior to an annual meeting of Members, provided the Board
9 receives the committee's nomination or nominations at least 30 days
10 prior to the annual meeting of Members.

11 (b) A written petition signed within 11 months preceding the
12 annual meeting by Members representing 33 1/3% of the "voting
13 power" of the Association as that term is defined in the Nonprofit
14 Mutual Benefit Corporation Law of the State of California. The
15 petition shall identify the nominee, contain that person's written
16 consent to serve as a Director, and be delivered to the Secretary
17 of the Association at least 30 days prior to the annual meeting.

18 (c) Any Member who is present in person, or by the proxy of
19 any Member who is present by proxy, at the annual meeting of
20 Members at which the Director is to be elected.

21 Section 3.03. As soon as possible after the filing of Arti-
22 cles of Incorporation for the Association, Declarant shall elect
23 Initial Directors who shall serve until the first annual meeting of
24 the Members. At the first annual meeting of the Association, the
25 Members shall fill, by election, all positions on the Board of
26 Directors. Subsequent elections shall also be held at the annual
27 meetings. However, if an annual meeting is not held or does not
28 include an election, the election may be held at a special meeting

1 of members called for that purpose. Voting for Directors shall be
2 by secret written ballot. At an election the Members or their
3 proxies may cast, in respect to each vacancy, as many votes as they
4 are entitled to exercise under the provisions of these Bylaws.
5 Each Member entitled to vote on the election may cumulate his or
6 her votes and give one candidate a number of votes equal to the
7 number of Directors to be elected multiplied by the number of votes
8 to which the Member is entitled, or distribute the Member's votes
9 on the same principle among as many candidates as the Member thinks
10 fit. No Member shall be entitled to cumulate votes for a candidate
11 or candidates unless the candidate's name or candidates' names have
12 been placed in nomination prior to voting and a Member has given
13 notice at the meeting prior to the voting of the Member's intention
14 to cumulate votes. If any one Member has given this notice, all
15 Members may cumulate their votes for candidates in nomination. The
16 persons receiving the highest number of votes shall be elected.

17 Section 3.04. Notwithstanding any other provision of these
18 Bylaws, for so long as a majority of the voting power of the
19 Association resides in Declarant, or so long as there are two
20 classes of membership in the Association, at least 20% of the
21 Director(s) shall have been elected solely by the votes of Members
22 other than Declarant. If, at any election, Members other than
23 Declarant do not have a sufficient percentage of the voting power
24 to satisfy that requirement, the one position on the Board shall be
25 filled by the candidate receiving the highest number of votes cast
26 by Members other than Declarant. Any remaining positions on the
27 Board shall be filled in accordance with normal voting procedure.

28 Section 3.05. Each Director shall hold office until the

1 election of his or her successor or until the Director's death,
2 removal, or judicial adjudication of mental incompetence. The term
3 of office of each Director shall be one year. Thereafter, at each
4 annual meeting, any vacancies on the Board created by death,
5 resignation, removal, judicial adjudication of mental incompetence,
6 or expiration of term shall be filled. The term of office of each
7 Director elected to fill a vacancy created by the expiration of the
8 term of office of the preceding Director shall be the same length
9 as his or her predecessor's term. The term of office of any
10 Director elected or appointed to fill a vacancy created by any
11 event other than the expiration of the predecessor Director's term
12 shall be the balance of the unserved term of the predecessor. Any
13 person serving as a Director may be re-elected, and there shall be
14 no limitation on the number of terms a Director may serve.

15 Section 3.06. Directors may be removed as follows:

16 (a) The Board may declare vacant the office of a Director on
17 the occurrence of any of the following events:

18 (1) The Director is declared of unsound mind by a final
19 order of the court;

20 (2) The Director is convicted of a felony.

21 (b) One or more Directors may be removed prior to the ex-
22 piration of their terms, without cause, at an annual or special
23 meeting of the Members. Any removal without cause shall be ap-
24 proved by a majority of the total voting power of the Association.
25 Notwithstanding the foregoing, unless the entire Board is removed
26 from office by the vote of the Members, an individual Director
27 shall not be removed prior to the expiration of his or her term of
28 office if the number of votes cast against the removal, or

1 not consenting in writing to the removal, would be sufficient to
2 elect the Director if voted cumulatively at an election at which
3 the same total number of votes were cast (or, if the action is
4 taken by written ballot, all memberships entitled to vote were
5 voted) and the entire number of Directors authorized at the time of
6 the Director's most recent election were then being elected. A
7 Director who has been elected to office solely by the votes of
8 Members other than Declarant as required by Section 3.04 of these
9 Bylaws may be removed from office prior to the expiration of his or
10 her term of office only by the vote of at least 51% of the voting
11 power of Members other than Declarant. If a Director is removed at
12 a meeting, a new Director may be elected at the same meeting.

13 Section 3.07. Any vacancy on the Board caused by the death or
14 resignation of a Director shall be filled by the remaining Direc-
15 tors. The successor shall serve for the unexpired term of his or
16 her predecessor. The Board shall not fill a vacancy on the Board
17 created by the removal of a Director, except with the vote or
18 written assent of a majority of each class of Members.

19 Section 3.08. No Director shall receive any compensation for
20 any service he or she may render to the Association; provided,
21 however, that a Director may be reimbursed for actual out of pocket
22 expenses incurred by the Director in the performance of his or her
23 duties.

24 Section 3.09. The Board's powers and duties shall include,
25 but shall not be limited to, the following:

26 (a) Enforcing the applicable provisions of the Declaration,
27 the Articles, these Bylaws, and any other instruments governing the
28 ownership, management, and control of the Project.

1 (b) Paying taxes and assessments that are, or could become, a
2 lien on all or a portion of the Common Area.

3 (c) Contracting for casualty, liability, and other insurance
4 on behalf of the Association.

5 (d) Contracting for goods and services for the Common Area,
6 facilities, and interest of the Association, subject to the limita-
7 tions set forth in Section 3.10(a) of these Bylaws.

8 (e) Delegating its powers to any committees, Officers, or
9 employees of the Association expressly authorized by the Governing
10 Instruments.

11 (f) Preparing budgets and financial statements for the
12 Association as follows:

13 (1) The Association shall prepare a pro forma operating
14 budget for each fiscal year and distribute a copy to each Owner not
15 less than 45 and not more than 60 days prior to the beginning of
16 the fiscal year. This budget shall contain at least the following:

17 a. The estimated revenue and expenses on an accrual
18 basis;

19 b. The amount of the total cash reserves currently
20 available for replacement or major repair of
21 common facilities and for contingencies;

22 c. Concerning any major components of the common
23 area and facilities for which the Association is
24 responsible, the following information: (i) an
25 itemized estimate of the remaining life; (ii)
26 the methods of funding to defray the costs of
27 repair, replacement, or additions; and (iii) a
28 general statement of procedures used to

1 calculate and establish reserves for the
2 expenses set forth in (B), supra.

3 (2) Within 120 days after the close of each fiscal year,
4 the Association shall prepare and distribute to the Owners an
5 annual report consisting of the following:

- 6 a. A balance sheet as of the end of the fiscal year
- 7 b. An operating (income) statement for the fiscal
8 year.
- 9 c. A statement of changes in financial position for
10 the fiscal year.
- 11 d. For any fiscal year in which the gross income to
12 the Association exceeds \$75,000.00, a copy of
13 the review of the annual report prepared in
14 accordance with generally accepted accounting
15 principles by a licensee of the California State
16 Board of Accountancy. If this report is not
17 prepared by an independent accountant, it shall
18 be accompanied by the certificate of an
19 authorized officer of the Association that the
20 statement was prepared without independent audit
21 or review from the books and records of the
22 Association.

23 (3) The Association shall prepare a balance sheet rendered as
24 of an accounting date that is the day of the month closest in time
25 to six months from the date of closing of the first sale of a
26 condominium unit ("the accounting date"), and an operating
27 statement for the period commencing with the date of closing of the
28 first sale and ending on the accounting date. The operating

1 statement shall include a schedule of assessments received or
2 receivable identified by the condominium unit number and the name
3 of the Owner assessed. Copies of the balance sheet and operating
4 statement shall be distributed to each Owner and any mortgagee that
5 has requested a copy within 60 days after the accounting date.

6 (g) Formulating Rules and Regulations for the use and opera-
7 tion of the Common Area and facilities owned or controlled by the
8 Association.

9 (h) Initiating and executing disciplinary proceedings against
10 Members for violations of provisions of the Governing Instruments
11 in accordance with procedures set forth in the Governing
12 Instruments.

13 (i) Entering any Unit to perform necessary construction,
14 maintenance, or emergency repair work for the benefit of the Common
15 Area or the Members in the aggregate.

16 (j) Electing the Officers of the Association.

17 (k) Filing vacancies on the Board of Directors, except for a
18 vacancy created by the removal of a Director.

19 (l) Reviewing the following on at least a quarterly basis:

20 (1) A current reconciliation of the Association's
21 operating accounts.

22 (2) A current reconciliation of the Association's
23 reserve accounts.

24 (3) The current year's actual reserve revenues and
25 expenses compared to the current year's budget.

26 (4) An income and expense statement for the Asso-
27 ciation's operating and reserve accounts.

28 (m) Reviewing the latest account statements prepared by the

1 financial institutions in which the Association has its operating
2 and reserve accounts.

3 (n) Authorizing of the withdrawal of moneys from the Asso-
4 ciation's reserve accounts, upon the signatures of two Directors or
5 one Director and one Officer who is not a Director.

6 Section 3.10. Notwithstanding the provisions of Section 3.09,
7 the Board shall be prohibited from taking any of the following
8 actions, except with the vote or written assent of a majority of
9 each class of Members, or when Class B membership no longer exists,
10 with the approval of a majority of the total voting power of the
11 Association as well as the approval of a majority of the total
12 voting power residing in Members other than Declarant:

13 (a) Entering into a contract with a third person under which
14 the third person will furnish goods or services for the Common Area
15 or the Association for a term longer than one year, with the
16 following exceptions:

17 (1) A management contract approved by the Federal
18 Housing Administration or Veterans Administration;

19 (2) A contract with a public utility if the rates
20 charged are regulated by the Public Utilities Commission, provided
21 that the term shall not exceed the shortest term for which the
22 utility will contract at the regulated rate;

23 (3) Prepaid casualty and/or liability insurance of not
24 more than three years duration, provided that the policy provides
25 for short rate cancellation by the insured;

26 (4) Lease agreements for laundry room fixtures and
27 equipment of not more than five years duration, provided that the
28 lessor under the agreement is not an entity in which the Declarant

1 has a direct or indirect ownership interest of 10 percent or more;
2 and

3 (5) Agreements for cable television services and equip-
4 ment or satellite dish television services and equipment for a term
5 of up to five years, provided that the supplier is not an entity in
6 which the Declarant has a direct or indirect ownership interest of
7 10 percent or more.

8 (b) Incurring aggregate expenditures for capital improvements
9 to the Common Area in any fiscal year in excess of 5% of the
10 budgeted gross expenses of the Association for that fiscal year.

11 (c) Selling during any fiscal year property of the Asso-
12 ciation having an aggregate fair market value in excess of 5% of
13 the budgeted gross expenses of the Association for that fiscal
14 year.

15 (d) Paying compensation to Directors or to Officers of the
16 Association for services rendered in the conduct of the Asso-
17 ciation's business; provided, however, that the Board may reimburse
18 a Director or Officer for expenses incurred in carrying on the
19 business of the Association.

20 (e) Filing a vacancy on the Board of Directors created by the
21 removal of a Director.

22 ARTICLE IV. MEETINGS OF DIRECTORS

23 Section 4.01. Regular meetings of the Board of Directors
24 shall be held quarterly at a time and place within the Development
25 fixed by resolution of the Board. Notice of the time and place of
26 the meeting shall be posted at a prominent place or places within
27 the Common Area and shall be communicated to the Directors not less
28

1 than four days prior to the meeting; provided, however, that notice
2 need not be given to any Director who has signed a waiver of notice
3 or a written consent to holding of the meeting.

4 Section 4.02. Special meetings of the Board shall be held when
5 called by written notice signed by the President of the Association
6 or by any two Directors other than the President. The notice shall
7 specify the time and place of the meeting and the nature of any
8 special business to be considered. Notice of any special meeting
9 must be given to each Director not less than five days nor more
10 than fifteen days prior to the date fixed for the meeting; provid-
11 ed, however, that notice need not be given to any Director who has
12 signed a waiver of notice or a written consent to holding of the
13 meeting. A copy of the notice shall be also be posted in a promi-
14 nent place or places in the Common Area of the Project.

15 Section 4.03. A majority of the Board shall constitute a
16 quorum and, if a quorum is present, the decision of a majority of
17 the Directors present shall be the act of the Board.

18 Section 4.04. Regular and special meetings of the Board shall
19 be open to all Members of the Association; provided, however, that
20 Association Members who are not on the Board may not participate in
21 any deliberation or discussion unless expressly authorized to do so
22 by the vote of majority of a quorum of the Board.

23 Section 4.05. The Board may, with the approval of a majority
24 of a quorum, adjourn a meeting and reconvene in executive session
25 to discuss and vote upon personnel matters, litigation in which the
26 Association is or may become involved, and orders of business of a
27 similar nature. The nature of any and all business to be con-
28 sidered in executive session shall first be announced in open

1 session.

2 Section 4.06. A majority of the Directors present, whether or
3 not a quorum is present, may adjourn any meeting to another time
4 time and place. If the meeting is adjourned for more than 24
5 hours, notice of the adjournment shall be given, prior to the time
6 of the adjourned meeting, to the Directors who were not present at
7 the time of the adjournment.

8 Section 4.07. The Board may take actions without a meeting if
9 all of the Directors consent in writing to the action to be taken.
10 If the Board resolves by unanimous written consent to take action,
11 an explanation of the action taken shall be posted at a prominent
12 place or places within the Common Area within three days after the
13 written consents of all Directors have been obtained.

14 ARTICLE V. OFFICERS

15 Section 5.01. The Officers of this Association shall be a
16 President, Vice-President, a Secretary, and a Chief Financial
17 Officer. The Board may appoint additional officers pursuant to
18 Article X of these Bylaws. Any number of offices may be held by
19 the same person.
20

21 Section 5.02. The Officers of this Association, except those
22 Officers appointed in accordance with Article X of this Article,
23 shall be elected annually by the Board. Any vacancies shall be
24 filled by the Board at any time, not necessarily on an annual
25 basis, that it deems proper. Each Officer shall hold his or her
26 office at the pleasure of the Board.

27 Section 5.03. The Board may remove any Officer from office
28 either with or without cause. An Officer may resign at any time by

1 giving written notice to the Board, the President, or the Secre-
2 tary. The resignation shall take effect at the date of receipt of
3 the notice or at any later time specified in the notice. Unless
4 otherwise specified in the notice, acceptance of the resignation by
5 the Board shall not be necessarily to make it effective.

6 Section 5.04. An Officer shall not receive any compensation
7 for any service he or she may render to the Association; provided,
8 however, that any Officer may be reimbursed for actual out of
9 pocket expenses incurred by the Officer in the performance of his
10 or her duties.

11 ARTICLE XI. PRESIDENT

12 Section 6.01. At the first meeting of the Board immediately
13 following the first annual meeting of the Members, the Board shall
14 elect one of its Members to act as President.

15 Section 6.02. The President shall:

16 (a) Preside over all meetings of the Members and of the
17 Board.

18 (b) Sign as President all deeds, contracts, and other written
19 instruments that have been approved by the Board, unless the Board,
20 by duly adopted resolution, authorizes the signature of a lesser
21 Officer.

22 (c) Call meetings of the Board whenever he or she deems it
23 necessary, in accordance with rules and notice requirements imposed
24 by the Board and the Governing Instruments. The notice period
25 shall not be less than three days except in the case of emer-
26 gencies.

27 (d) Have, subject to the advise of the Board, general super-
28

1 vision, direction, and control of the affairs of the Association.

2 (e) Discharge any other duties required of him or her by the
3 Board.

4
5 ARTICLE VII. VICE-PRESIDENT

6 Section 7.01. At the first meeting of the Board immediately
7 following the first annual meeting of the Members, the Board shall
8 elect one of its Members to act as Vice-President.

9 Section 7.02. The Vice-President shall:

10 (a) Act in the place and in the stead of the President in the
11 event of his or her absence, inability, or refusal to act; and

12 (b) Exercise and discharge any other duties required of him
13 or her by the Board. In connection with any such additional
14 duties, the Vice-President shall be responsible to the President.

15
16 ARTICLE VIII. SECRETARY

17 Section 8.01. At the first meeting of the Board immediately
18 following the first annual meeting of the Members, the Board shall
19 elect one of its Members to act as Secretary.

20 Section 8.02. The Secretary shall:

21 (a) Keep a record of all meetings and proceedings of the
22 Board and of the Members;

23 (b) Keep the seal of the Association, if any, and affix it on
24 all papers requiring the seal;

25 (c) Serve all required notices of meetings of the Board and
26 the Members;

27 (d) Keep current records showing the names and addresses of
28 all Members; and

1 (e) Sign as Secretary all deeds, contracts, and other written
2 instruments that have been approved by the Board, if the instru-
3 ments require a second Association signature and the Board has not
4 passed a resolution authorizing another Officer to sign in the
5 place and stead of the Secretary.

6
7 ARTICLE IX. CHIEF FINANCIAL OFFICER

8 Section 9.01. At the first meeting of the Board immediately
9 following the first annual meeting of the Members, the Board shall
10 elect one of its Members to act as Chief Financial Officer.

11 Section 9.02. The Chief Financial Officer shall:

12 (a) Receive and deposit all of the funds of the Association
13 in any bank or banks selected by the Board;

14 (b) Be responsible for and supervise the maintenance of books
15 and records to account for Association funds and other Association
16 assets;

17 (c) Disburse and withdraw Association funds in the manner
18 specified by the Board; and

19 (d) Prepare and distribute the financial statements for the
20 Association required by the Declaration.

21
22 ARTICLE X. SUBORDINATE OFFICERS

23 Section 10.01. The Board may appoint, at any time, any
24 subordinate Officers that the Association may require.

25 Section 10.02. The Board shall prescribe the term of office,
26 authority, and duties of subordinate Officers. These duties may
27 include the right to act in the place and stead of any Officer
28 other than the President.

ARTICLE XI. BOOKS AND RECORDS

Section 11.01. The Association shall maintain at its principal office:

- (a) Copies of the Governing Instruments as last amended;
- (b) Adequate and correct books and records of account;
- (c) Written minutes of the proceedings of its Members, of its Board, and of committees of its Board; and
- (d) A Membership Register containing the name, address, and class of membership of each Member.

Section 11.02. The above books and records shall be made available for inspection as follows:

(a) Any Member shall have the right to inspect the Governing Instruments at the principal office of the Association, at any reasonable time during office hours.

(b) Any Member shall have the right to inspect the books and records described in Section 11.01(b)-(d) and to copy them at any reasonable time and for a purpose reasonably related to his or her interest as a Member. This right is subject to the power of the Board to set reasonable times for inspection, notice requirements, and fees to cover the cost of making copies of the documents requested by a Member.

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

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1 ARTICLE XII. NONLIABILITY AND INDEMNIFICATION

2 Section 12.01. For purposes of this Article, "Agent" means
3 any present or former Director or Officer or any other employee or
4 agent of the Association.

5 Section 12.02. Except as provided by law, no right, power, or
6 responsibility conferred on the Board of the Architectural Commit-
7 tee by the Governing Instruments shall be construed as a duty,
8 obligation, or disability charged upon any Agent. No Agent shall
9 be liable to any party (other than the Association or a party
10 claiming in the name of the Association) for injuries or damage
11 resulting from the Agent's acts or omissions within what the Agent
12 reasonably believed to be the scope of his or her Association
13 duties ("Official Acts"), except to the extent that the injuries or
14 damage result from the Agent's willful or malicious misconduct. No
15 Agent shall be liable to the Association (or to any party claiming
16 in the name of the Association) for injuries or damage resulting
17 from the Agent's Official Acts, except to the extent that the
18 injuries or damage result from the Agent's negligence or willful or
19 malicious misconduct.

20 Section 12.03. The Association shall pay all expenses actual-
21 ly and reasonably incurred by, and satisfy any judgment or fine
22 levied against, any Agent as a result of any action or threatened
23 action against the Agent to impose liability on the Agent for his
24 or her Official Acts, provided that:

25 (a) The Board determines that the Agent acted in good faith
26 and in a manner the Agent reasonably believed to be in the best
27 interest of the Association;

28 (b) In the case of a criminal proceeding, the Board deter-

1 mines that the Agent had no reasonable cause to believe his or her
2 conduct was unlawful; and

3 (c) In the case of an action or threatened action by or in
4 the right of the Association, the Board determines that the Agent
5 acted with the care (including reasonable inquiry) that an ordi-
6 narily prudent person in a like position would use under similar
7 circumstances.

8 Section 12.04. Any determination of the Board required under
9 this Articles must be approved by a majority vote of a quorum
10 consisting of Directors who are not parties to the action or
11 threatened action giving rise to the indemnification. If the Board
12 fails or refuses to make any such determination, the determination
13 may be made by the vote or written consent of a majority or a
14 quorum of the Members, provided that the Agent to be indemnified
15 shall not be entitled to vote.

16 Section 12.05. Payments made pursuant to this Article shall
17 include amounts paid and expenses incurred in settling the action
18 or threatened action. This Article shall be construed to authorize
19 payments and indemnification to the fullest extent now or hereafter
20 permitted by applicable law.

21 Section 12.06. The Association may purchase and maintain
22 insurance on behalf of its Agents to the extent and under the
23 circumstances provided in the Declaration.

24 ARTICLE XIII. AMENDMENTS

25 Section 13.01. So long as a two-class voting system is in
26 effect, any amendment of these Bylaws shall require the vote or
27 written consent of Members representing 51% of the voting power of
28

1 each class of Members. After conversion of the Class B Membership
2 to Class A Membership, these Bylaws may be amended by the vote or
3 written consent of (1) 51% of a quorum, and (2) 51% of the votes of
4 Members other than the Declarant. Notwithstanding the foregoing,
5 the percentage of a quorum or of the voting power of the Asso-
6 ciation or of Members other than Declarant necessary to amend a
7 specific clause or provision in these bylaws shall not be less than
8 the prescribed percentage of affirmative votes required for action
9 to be taken under that clause or provision.

10 Section 13.02. When required under Section 11018.7 of the
11 California Business and Professions Code, the prior written consent
12 of the Real Estate Commissioner shall be obtained prior to submit-
13 ting a proposed statement to these Bylaws to the vote of the
14 Members.

15 ARTICLE XIV. TAX-EXEMPT STATUS

16 Section 14.01. The Board and Members of the Association shall
17 conduct the business of the Association in such a manner that the
18 Association shall qualify and be considered an organization except
19 from federal and state income taxes pursuant to Internal Revenue
20 Code Section 528 and California Revenue and Taxation Code Section
21 23701t, as amended.

22 Section 14.02. The Board shall file or have filed and annual
23 election for tax-exempt status that is required under federal or
24 state law, and shall cause the Association to comply with the
25 federal and state statutes, rules, and regulations pertaining to
26 those exemptions.
27
28

CERTIFICATE OF SECRETARY

OF

BAY CREEK HOMEOWNERS ASSOCIATION

A California Nonprofit Mutual Benefit Corporation

I hereby certify that I am the duly elected and acting Secretary of the above Corporation and that the foregoing Bylaws, comprising of 30 pages, constitute the Bylaws of the Corporation as duly adopted at a meeting of the Board of Directors of the Corporation held on _____.

DATED: _____

Secretary