BYLAWS OF

Valley Ranch Estates Homeowners Association

As amended May 18, 2019

ARTICLE I

OFFICES

Section 1.01 Location. The principal office of Valley Ranch Estates Homeowners Association, also known as Valley Ranch Homeowners Association, (hereinafter referred to as the "Association") shall be located at such place as may be established by the Board. Business transactions may be addressed to the Association at P. O. Box 121, Clio, CA 96106-0121, or at such other place as may be established, from time to time, by resolution of the Board.

ARTICLE II

GENERAL

Section 2.01 By Reference to Declaration. All terms used herein which are defined in the Declaration of Covenants, Conditions and Restrictions for Valley Ranch recorded on December 4, 1990, shall be used herein with the same meanings as defined in the Declaration.

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

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

ARTICLE III

MEMBERS

Section 3.01 Owners of Lots are Members. Every person who is a record Owner of a fee interest in any Lot which is subject, by covenants of record, to assessment by the Association, including contract purchasers (but not contract sellers), shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold and interest merely as security for the performance of an obligation. Membership shall be appurtenant to

and may not be separated from ownership of any Lot and is subject to assessment by the Association.

Section 3.02 Regular Meetings of Members of the Association. Regular meetings of Members of the Association shall be held each year. Regular meetings shall be held during the months of May and/or October on a Saturday.

Section 3.03 Special Meetings of Members of the Association.

A. A special meeting of the Members of the Association shall be called in response to any of the following:

1. A vote by the Directors of the Board.

2. The President of the Association.

3. The written request of Members representing not less than five percent (5%) of the total voting power of the Association.

B. If a special meeting is called by Members, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be mailed postage prepaid or hand delivered to the President, any Vice President or the Secretary. The officer receiving the request shall cause notice to be promptly given to the members, in accordance with the provisions of that a meeting will be held and the date for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person(s) requesting the meeting may give notice. Nothing contained in this subsection shall be construed as limiting, fixing or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board.

Section 3.04 Location of Meetings of Members of the Association. Regular and special meetings of Members of the Association shall be held at a place to be determined by the Board.

Section 3.05 Notice of Meetings of Members of the Association.

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

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

1. Removing a Director without cause;

2. Filling vacancies on the Board by Members;

3. Amending the Articles; or

4. As otherwise required by Section 7511 (f) of the Corporations Code of the State of California.

Section 3.06 Quorum. The presence at the meeting of Members and/or proxies entitled to cast fifty percent (50%) of the votes shall constitute a quorum for any action except as otherwise provided in the Declaration and these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the Members present, in person or by proxy, shall have the power to adjourn the meeting, without notice other than announcement at the meeting, to another time, such time to be a date not less than five (5) nor more than forty-five (45) days from the date of the original meeting. The quorum for any such adjourned meeting shall be twenty-five percent (25%) of the Members' votes.

Section 3.07 Proxies. Each lot vote (one vote per lot-see CC&R Article 1; 1.02) may be in person or by proxy. All proxies shall be in writing, signed by all Owners of the Lot, and filed with the Secretary. A proxy shall be valid for no more than eleven months after the date of its execution, unless a longer term is stipulated in the proxy – in which case no proxy shall be valid for longer than three years. Every proxy shall be revocable, and any proxy shall automatically cease upon termination of membership. A proxy is not revoked by the death or incapacity of the maker or the termination of a membership as a result thereof unless, before the vote is counted, written notice of such death or incapacity is received by the Association.

Section 3.08 Informal Action by Members of the Association.

A. Any action required by law to be taken, or which may be taken at a meeting of the members of the Association, may be taken without a meeting if:

1. A ballot setting forth the proposed action is distributed to all Members entitled to vote with respect to the subject matter thereof;

2. The number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action;

3. The number of votes consenting to the proposed action equals or exceeds the number of votes required at a meeting to authorize the proposed action; and

4. If the action is otherwise in compliance with Section 7513 of the Corporation Code of the State of California, as from time to time amended, or successor statute.

Section 3.09 Written Ballots and Proxies. Any form of proxy or written ballot distributed by any person to the Members shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a

choice, the vote shall be authorized to exercise the proxy and the length of time it will be valid.

ARTICLE IV

Board of Directors

Selection: Term of Office

Section 4.01 Number. The affairs of the Association shall be managed by a Board of five (5) Directors who shall be Members of the Association.

Section 4.02 Term of Office: Election. Directors shall serve for a term of two (2) years. At the Annual May and/or October meeting the Members shall elect for a term of two (2) years as many Directors as there are regular terms of office expiring at such time.

Section 4.03 Nomination and Voting for Directors.

A. Nomination for election to the Board shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman who shall be a Director and two other persons who shall be voting Members of the Association. Solicitation of nominees shall commence at a time ensuring the list of nominees will be submitted to the Secretary no less than 45 days prior to the Annual Meeting. Nominees will be announced in the written meeting note to Members.

B. Nominations from the floor shall be accepted at the Annual Meeting.

C. Election to the Board shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of these Bylaws and the Declaration (as set forth in Section 3.02). The persons receiving the largest number of votes for Director shall be deemed elected.

Section 4.04 Removal from Office. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members. In the event of the death, resignation, or removal of a Director, a successor shall be selected by the remaining Directors and shall serve for the unexpired term.

ARTICLE V

MEETINGS OF DIRECTORS

Section 5.01 Regular Meetings of the Directors. Regular meetings of the Directors shall occur in the months of January, April, July and October. Specific date, time and place may be obtained by contacting the Association Secretary or a Director. The Directors' meeting schedule is to be announced annually in the written minutes of each May and/or October meeting.

Section 5.02 Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by any two 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. Notice of any special meeting must be given to each Director not less than three (3) days before the date fixed for the meeting; provided however, that notice need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 5.03 Actions Without Meetings. The Board may take actions without a meeting if all the Directors consent in writing to the action to be taken. If the Board resolve by unanimous written consent to take action, an explanation of the action taken shall be mailed to all members with seven (7) days after the written consents of all Directors have been obtained.

Section 5.04. Meetings Open to Members. All regular and special meetings of the Directors shall be open to all Members of the Association. Members may participate in any deliberation or discussion at the discretion of the Board, however, only Directors may vote on any motions or resolutions.

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

Section 5.06 Quorum of the Board. Three (3) Directors shall constitute a quorum for the transaction of business. Every act done or decision made by the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VI

POWERS, DUTIES AND LIMITATIONS OF THE BOARD

Section 6.01 Powers, Duties and Limitations. The Board shall have those powers and duties and be subject to those limitations set forth in the Declaration (Covenants, Conditions and Restrictions), any amendments thereto, and these Bylaws.

Section 6.02 Infractions.

A. It is a requirement that the Board of Directors; investigate, or appoint a committee to investigate, each and every complaint received in writing with signature from any one or more members of the Association involving an infraction or infractions of the Declaration, the Bylaws, the Articles of Incorporation or any rules and regulations and other governing documents of the Association.

B. Upon a determination by the Board that an infraction has been committed, the Board shall cause correspondence setting forth such infraction, or infractions, to be

forwarded to the perpetrator of such infraction requesting the infraction be abated with a 30-day period.

1. If the perpetrator should fail to abate the infraction, the Board shall hold a hearing within the following 30-day period.

2. If the perpetrator should fail to abate the infraction and should fail to be present, or be represented at such hearing by his/her agent, the Board shall be required to pursue the complaint to a final conclusion, including legal procedures. (Refer to Article X)

Section 6.03 Funding for Legal Expenses. For the fulfillment of the above requirements, the Board shall budget for, and me allotted by the membership, an appropriate amount for legal expenses each year. The budgeted amount shall not exceed the annual limit of $10,000.00. Should legal expenses exceed the budgeted amount, yet not exceed the annual limit of $10,000.00, the Board may transfer funds by a majority vote of the Directors.

Section 6.04 Special Assessment for Legal Expenses. If additional funds for legal expenses beyond $10,000.00 are required, funding shall be in the form of a special assessment with an equal amount assessed from each lot in Valley Ranch. Such special assessment must be approved by a vote of the Members, with at least a simple majority approving. Special assessments not paid within ninety (90) days will be treated the same as unpaid homeowners' dues (liens placed against the respective lot(s) to recover the amount of the special assessment and all collection costs.)

ARTICLE VII
OFFICERS AND THEIR DUTIES

Section 7.01 Enumeration of Officers. The officers of the Association shall be a President, a Vice President, a Secretary, a Treasurer, and such other officers as the Board may from time to time by resolution appoint. All officers of the Board shall be members of the Association.

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

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

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

Section 7.06 Duties. The duties of the officers shall include, but not be limited by, the following:

A. The President shall preside at all meetings of the Members and Directors, shall see that orders and resolutions of the Board are carried out and shall sign all notes, leases, mortgages, deeds and other written instruments, except checks, which signing shall be the duty of both the President and the Treasurer.

B. The Vice President, or the Vice President so designated by the Board if there is more than one (1) Vice President, shall perform all the duties of the President in the absence of or on behalf of the President. Each Vice President shall perform such other acts and duties as may be assigned to the office by the Board.

C. The Secretary shall record the votes and keep the minutes of all Board proceedings in a book to be kept for that purpose. The Secretary shall maintain a written record of all the names and addresses of the members of the Association, and shall attend to mailing of all notices, including the notice of annual assessments or any special assessments.

D. The Treasurer shall receive and deposit in appropriate bank accounts or other accounts, as established and maintained pursuant to the Declaration, all monies of the Association and, by resolution of the Board; provided, however, that a resolution of the Board shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer shall be a required signatory on checks and notes of the Association. The Treasurer, or an appointed agent, shall keep proper books of account and cause an annual report of the Association books to be made by a certified public accountant at the completion of each fiscal year, providing gross income of the Association exceeds $75,000.00. The Treasurer or an appointed agent shall prepare an annual budget and an annual balance sheet statement, and the budget and balance sheet shall be open for inspection upon reasonable request by a Member. Assistant Treasurers, if any, shall perform all the duties of the Treasurer in the absence of the Treasurer. The Assistant Treasurer shall perform such other acts and duties as may be assigned to the office by the Board.

E. The Board of Directors, for the benefit of all lot owners, shall have the power, obligation and duty to enforce the provisions of the Declaration, the Articles of Incorporation, the Bylaws of the Association and other governing documents of the Association.

F. It is the duty of Board members to ensure that meetings are conducted consistent with Robert's Rules of Order as the parliamentary guide.

ARTICLE VIII
COMMITTEES

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

A. **The Nominating Committee** - (Refer to Section 4.03)

B. **The Architectural Review Committee (ARC)** - (Also known as The Architectural Committee). The ARC shall consist of three (3) or more Members elected by the Members of the Association at the annual meeting of the Association and may, at the Board's discretion, be required to include one (1) or more Directors in addition to the elected Members. The ARC shall designate an ARC Member to serve as chairman to act on behalf of the ARC. The term of office shall be four (4) years. At the annual May and/or October meeting the Members shall elect for a term of four (4) years as many Members as there are regular terms of office expiring at such time. Nominations for vacancies shall be accomplished by the same nominating process and the same committee formed for Board vacancies described in Section 4.03. Removal from the ARC shall be in accordance with that described for Board members in Section 4.04.

C. **Other Committees** - Committees other than the Design Review Committee and the Nominating Committee shall be appointed by the Board at the annual meeting or within thirty (30) days after each annual meeting of the Directors to serve until succeeding committee members have been appointed. The Board may create such other committees as it deems advisable. It shall be the duty of each committee to interact with Members on any matter involving Association functions, duties or activities within its scope of responsibility. It shall handle matters as it deems appropriate or refer them to such other committee, Director or office of the Association that it determines may more appropriately handle the matter. The Design Review Committee shall consist of members of the Association and shall function as defined in the CC&R's.

ARTICLE IX
AMENDMENTS

Section 9.01 Amendments. These Bylaws may be amended by approval (by vote or written consent) of a majority of Members of the Association.

Section 9.02 Conflicts With Other Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration (CC&R's) and these Bylaws, the Declaration (CC&R's) shall control.

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

ARTICLE X
DISPUTE RESOLUTION

Section 10.1 Informal Dispute Resolution.

A. Dispute resolution in this context refers to infractions of the Association's governing documents and not disputes of a personal nature.

B. In the event disputes arise between Valley Ranch property owners, or between the Association and one or more property owners, that are related to the governing documents, the following steps shall be taken:

1. The involved parties should make every effort to resolve the dispute through verbal and written/signed communication.

2. If the dispute cannot be resolved in this manner, the Board shall proceed as outlined in 6.02. Request for assistance from the Board are to be submitted in writing and accompanied by data and facts pertinent to the dispute.

3. If the dispute cannot be resolved through this process, the party/parties involved may proceed to mediation and/or binding arbitration as outlined below.

Section 10.02 Matters Submitted for Alternative Dispute Resolution. All claims, disputes and other matters which pertain to the rights, duties, and obligations in question between the Valley Ranch Homeowners Association and property owners which arise from or relate to its governing documents (the Articles of Incorporation, the Declaration, the Bylaws and the Design Review Guidelines) or the breach thereof shall be submitted for dispute resolution (mediation or binding arbitration). Conflicts shall be submitted to mediation as a first course of action before any demand for binding arbitration is filed. Each Member of the Association agrees, by the acceptance of a deed to a Lot, to mediate in good faith all such disputes submitted to mediation pursuant to this section before seeking binding arbitration.

Section 10.03 Selection of Mediator/Arbitrator. If the parties cannot agree to a mediator/arbitrator, the Board shall (or other party may) petition the Superior Court in and for the County of Plumas for the appointment of a mediator/arbitrator or a procedure for the appointment of such person pursuant to Section 1281.6 of the Code of Civil Procedure of the State of California, as amended from time to time, or any successor statute.

Section 10.04 Costs. The costs of mediation (and/or binding arbitration) shall be shared equally by all parties involved in the dispute. If a party required to advance costs fails to do so, the Association may at the discretion of the Board advance the costs required to be advanced by that party and assess a Remedial Charge against the defaulting Owner. The prevailing party shall be entitled to and shall receive, as part of the award, reimbursement for

all costs including its reasonable attorney's fees and any costs advanced pursuant to this Section incurred in the mediation/arbitration proceeding and any subsequent judicial proceeding arising therefrom.

Section 10.05 Commencement. A mediation/arbitration shall be commenced when one of the parties to the dispute sends a "Request for Alternative Dispute Resolution" to the opposing party and the Board offering to participate in mediation/arbitration (California Civil Code 1354). The opposing party has 30 days to send a "Response to Request for Alternative Dispute Resolution" to the sender and the Board. (Both forms are available through the Association Secretary or other officer chosen by the Board.) The Board will arrange for the mediation/arbitration process. In no event shall the demand for mediation/arbitration be made after the date when institution of legal or equitable proceedings based on such clam, dispute, or other matter in question would be barred by the applicable statute of limitations.

Section 10.06 Award from Binding Arbitration. The award rendered by the arbitrators in a case of binding arbitration shall be final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE XI

BUDGETS AND FINANCIAL STATEMENTS

Section 11.01 Financial Statements. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year. Financial statements for the Association shall be regularly prepared and the Board of Directors shall distribute copies to each Member as follows:

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

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

2. Identification of the total cash reserves/operating contingency accounts currently set aside by the Association.

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

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

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

3. Any information required to be reported under Section 8322 of the Corporation Code.

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

D. In lieu of the distribution of the financial statements required by Subsection A, B, and C of this Section 11.01, the Board may elect to distribute a summary of the financial statements to all its Members with a written notice that the financial statements are available at the business office of the Association or at another suitable location and that copies will be provided upon request and at the expense of the Association. The written notice that is distributed to each of the Members shall be in at least 10-point bold type on the forms page of the summary of the statements.

E. If any Member requests copies of the financial statements, the Association shall provide the copies of the statement(s) by first-class United States mail at the expense of the Association and posted within five (5) days.

Section 11.02 External Review. The annual report distributed to each Member in accordance with Section 11.01 B above shall be accompanied by a review prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross annual income to the Association exceeds Seventy-Five Thousand Dollars ($75,000.00) as required by California Civil Code 1365. If the annual report is not accompanied by such a review (because the gross annual income does not exceed Seventy-Five Thousand Dollars ($75,000.00), it shall be accompanied by the certificate of an authorized officer of the Association stating that the report was prepared without audit from the books and records of the Association.

Section 11.03 Review of Financial Position. Not less frequently than quarterly, the Board shall;

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

B. Cause a current reconciliation of the Association's cash reserves/operating contingency accounts to be made and review the same.

C. Review the current year's actual operating revenues and expenses and the cash reserves/operating contingency accounts as compared with the current year's budget.

D. Review the latest account statements prepared by the financial institutions where the Association has its reserve/operating contingency accounts.

E. Review the income and expense statement for the Association's operating and cash reserves/operating contingency accounts.

ARTICLE XII

INSPECTION OF ASSOCIATION'S BOOKS AND RECORDS

Section 12.01 Members' Inspection Rights. The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members and meetings of the Board and of committees of the Board, if any, shall be made available for inspection and copying by any Member of the Association or by the Member's duly appointed representative at any reasonable time and for any purpose reasonable related to the members' Interest as a Member at the office of the Association or at such other place the Board shall prescribe. Any member may request an audit of the books of account at any time but shall bear the entire cost of any such audit.

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

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

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

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

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