

Canyon Lake Property Owners Association Bylaws

ARTICLE I. GENERAL

Section 1. Name. The name of this corporation is Canyon Lake Property Owners Association, which shall be referred to herein for convenience as the "Association".

Section 2. Principal Office. The principal office of the Association shall be in Riverside County, California, at such specific location therein as may be, from time to time, designated by the Board of Directors.

Section 3. Seal. The seal of the Association shall be in the form of two (2) concentric circles with the words, "Canyon Lake Property Owners Association" appearing between said circles in the upper periphery, the word "California" appearing in the lower periphery and the date of incorporation appearing in the center thereof.

Section 4. Fiscal Year. The fiscal year of the Association shall be that selected by the Board of Directors.

ARTICLE II. PURPOSES AND POWERS

Section 1. Purpose. The primary purpose of the Association shall be to further and promote the common interests and welfare of its Members within the subdivided land area situated in Riverside County, California, known and to be known generally as "Canyon Lake Properties", referred to herein for convenience as the "Subdivision".

Section 2. Powers. The Association shall do whatever is necessary, conducive, incidental or advisable to accomplish and promote its object and purposes, except carrying on a business or trade for profit, and in connection therewith, shall have but shall not be limited to the following powers:

- (a) To lease or acquire real or personal property by gift, purchase or other means;
- (b) To own, hold, enjoy, lease, operate, maintain, convey, sell, assign, transfer, mortgage or otherwise encumber, or dedicate for public use, any real or personal property owned by it;

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- (c) To exercise the powers and functions granted to it in the recorded Declaration of Restrictions, Agreements and/or Deeds affecting property in the Subdivision;
- (d) To construct, maintain and operate recreational facilities of all kinds within the Subdivision;
- (e) To care for vacant, unimproved or unkept Lots;
- (f) To maintain, rebuild, repair, beautify and otherwise care for all streets, project parks, pedestrian easements and drainage improvements within the Subdivision not subject to maintenance by governmental authority;
- (g) To pay taxes and assessments, if any, levied by any governmental authority on property owned by it;
- (h) To enforce charges, easements, restrictions, covenants, conditions and agreements existing upon or created for the benefit of the real property in the Subdivision;
- (i) To appoint such committees as may be necessary to, or convenient in, the discharge of any of its obligations or powers;
- (j) To levy an annual charge upon its Members and to declare the same a lien against the property subject thereto in accordance with the recorded Declaration of Restrictions, Agreements and/or Deeds affecting property in the Subdivision;
- (k) To prescribe and enforce motor vehicle speed limits within the Subdivision;
- (l) To sue to collect any charges not paid and in connection therewith to foreclose any lien granted to it;
- (m) To borrow money, contract debts, and issue bonds, notes and debentures, and secure the payment or performance of its obligations;
- (n) To expend its moneys for the payment and discharge of all proper costs, expenses and obligations incurred in carrying out all or any of these powers in furtherance of its purposes and objectives;

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- (o) To contract and pay premiums for fire, casualty, liability and other insurance, including indemnity and other bonds;
- (p) To contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to property or facilities owned or operated by it and to employ personnel reasonably necessary for the administration of its affairs including legal counsel and accountants; and
- (q) To do all other acts necessary or expedient for the administration of its affairs and the attainment of its purposes.

ARTICLE III. MEMBERSHIP

Section 1. Classes. There shall be two (2) classes of membership in the Association: (1) Members; and (2) Associate Members.

Section 2. Members. Membership shall be appurtenant to Lots (as the same are defined herein) in the Subdivision and all persons who become owners thereof shall, by reason of such ownership, become and hereby are made Members of the Association. The Subdivision developer shall be a Member by reason of its inventory of unsold Lots.

Members shall be limited to the owners of not less than one (1) Lot (as the same is defined herein) in the Subdivision. Only one (1) of any number of co-owners of a Lot shall be a Member. A Lot held by a husband and wife in any form of joint ownership, including community property, shall qualify the owners for one (1) membership only, to be issued in the name of the husband unless otherwise directed.

Ownership of more than one (1) Lot shall entitle the owner to all the rights and privileges of membership and shall subject such owner to all the liabilities and duties thereof that are attendant to the ownership of each Lot separately; provided, however, that the Association may issue a single certificate or other evidence of membership relating to all such Lots; and provided further that the owner of more than one (1) Lot shall be

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considered as a single Member only for purposes of notice and determination of Associate memberships.

A Member is entitled to one (1) vote for each Lot in the Subdivision owned by such Member; provided, however, that for a period of three (3) years commencing with the admission of the first Member other than the Subdivision Developer, the Subdivision Developer shall have three (3) votes for each Lot owned on which a final subdivision public report has been issued.

Until such time as the Developer has sold all of its property in the Subdivision, or otherwise terminated its sales efforts regarding such land, such Developer, its agents and employees shall have the continuing right to show and otherwise allow temporary use of all facilities of the Association in the Developer's sales program, provided it pays the duly determined assessments on the Lots still owned by it.

Section 3. Associate Members. The following shall be entitled to Associate membership in the Association:

- (a) Co-owners of any Lot;
- (b) The spouse and/or children under the age of 21, of a Member who also have the same residence as the Member;
- (c) Any person who is a tenant or regular occupant of any unit in any multi-family residential building or guesthouse, inn, hotel facility or mobile home park within the Subdivision; and
- (d) Officers and Directors of the Association not otherwise a Member by reason of Lot ownership pursuant to Section 2 of this Article III.

Persons qualifying under more than one (1) of the above categories shall, nevertheless, be entitled to only a single Associate membership.

Associate Members shall have no vote or right to notice of any meeting of Members, regular or special. Associate Members shall not be required to pay an annual charge but shall be entitled to enjoy all the other privileges of membership, subject, however, to their observance of all the rules and regulations governing the conduct of Members.

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Associate membership shall cease automatically upon termination of the status giving rise to such membership.

Section 4. Lot Defined. For purposes of these Bylaws, "Lot" or "Lots" shall be defined as consisting of:

- (a) All numbered (as opposed to lettered) subdivision Lots described and set forth in unit maps of the Subdivision from time to time recorded in the Office of the County Recorder of Riverside County, California; and
- (b) Each individual dwelling unit of any multiple-family residential building or guesthouse, inn, hotel facility or mobile home park within the Subdivision.

Section 5. Privileges. Members and Associate Members, and the guests of each, have the use of the streets, parks, pedestrian easements and recreational facilities in the Subdivision and any other property or facilities from time to time owned by the Association, subject to the provisions of the Declaration of Restrictions, Agreements and/or Deeds affecting property in the Subdivision, from time to time recorded, and such other rules for the use of the streets, pedestrian easements, parks, recreational facilities or other property or facilities as may be adopted by the Board of Directors of the Association.

ARTICLE IV. EVIDENCE OF MEMBERSHIP & TRANSFER

Section 1. Membership Certificates. Certificates of membership in the Association shall be issued to Members only. They shall be in such form as the Board of Directors shall designate and shall be issued over the signature of the President, or Vice President, and Secretary or Assistant Secretary. A certificate book shall be maintained which shows the name of the Member, the certificate number, date of issue and a sufficient description of the Lot(s) giving rise to such membership. Membership of the Subdivision Developer need not be evidenced by certificates of membership.

Section 2. Transfer. Membership in the Association is transferable only upon the conveyance of the Lot giving rise to such membership and any other attempted transfer or assignment of membership shall be null and void. Transfers of record which occur by reason of the conveyance of any Lot subsequent to the initial conveyance from the Subdivision Developer shall be subject to a fee of \$25.00 and to the payment of all indebtedness to the Association of the Member whose membership is transferred.

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Section 3. Issuance. Members are entitled to exercise all of the rights and privileges of membership, and they are subject to all obligations and liabilities thereof, without the actual issuance and possession of certificates of membership; provided, however, the Association shall incur no liability for failure to give adequate notice to Members not of record.

Section 4. Membership Cards. The Association may issue cards to Members and/or Associate Members from time to time, as the Board of Directors deems necessary to assure proper control and identification. In any event, a roster of Associate Members must be kept sufficiently current to assure proper identification and control.

ARTICLE V. MEETING OF MEMBERS

Section 1. Place of Meetings. Any meeting of the Association's Members shall be held in Riverside County, California, at such particular place therein as stated in the notice for such meeting.

Section 2. Annual Meeting; Notices of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice by mail, postage prepaid, to his/her address appearing on the books of the Association, or supplied by him/her to the Association for the purpose of notice. All such notices shall be sent to each Member entitled thereto not less than ten (10) days nor more than ninety (90) days before each meeting, if notice is given by first-class, registered or certified mail, or not less than twenty (20) days nor more than ninety (90) days, before each meeting if notice is given by bulk rate or other type of mail, and shall specify the place, the date and the time of such meeting, and: (1) in the case of a special meeting, the general nature of the business to be transacted; or (2) in the case of a regular meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members.

When a meeting of Members, either annual or special, is adjourned for forty-five (45) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, other than by announcement thereof at the meeting at which such adjournment is taken.

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Section 3. Special Meetings. Special meetings of the Members for any purpose may be called by: the President; the Board of Directors; or by any two or more members thereof; or upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association. Upon request in writing to the Chairman of the Board, President, Vice President or Secretary by any person (other than the Board) entitled to call a special meeting of the Members, the Officer forthwith shall cause notice to be given to the Members entitled to vote that a meeting will be held at a time fixed by the Board not less than thirty-five (35) days nor more than ninety (90) days after the receipt of the request.

Section 4. Adjourned Meetings and Notice Thereof. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power which is present in person but in the absence of a quorum no other business may be transacted at any such meeting.

When any Members' meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of the time and place of the adjourned meeting, or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken.

Section 5. Quorum. The presence in person of the holders of one-third (1/3) of the voting power at any meeting shall constitute a quorum for the transaction of business. 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.

If any meeting, annual or special, cannot be held for lack of a quorum, the owners present in person, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the voting power.

Section 6. Voting. Except as otherwise provided by law, only Members in whose names memberships entitled to vote stand on the records of the Association on the record date for voting purposes, fixed as provided in Article IX, Section 1, of these Bylaws, shall be entitled to vote at such meeting. Such vote may be via voice or by ballot; provided, however, that all elections for Directors must be by ballot upon demand by a Member at

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any election and before the voting begins. Except as otherwise provided herein, each Member is entitled to one (1) vote for each Lot owned by him/her. The candidates receiving the highest number of votes, shall be elected. In all other matters, except the removal of Directors as set forth in Article VI, Section 10, a majority of the voting power present in person shall prevail at all meetings.

Section 7. Approval of the Members. Except where a greater portion of the voting power is required by the Articles, the Declaration, or these Bylaws, a majority of the votes represented, in person, and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) shall constitute approval of the Members and prevail at all meetings.

Any action which may be taken by the vote of the Members at a regular or special meeting, may be taken without a meeting if done in compliance with the following provisions:

- (a) The Association must distribute a written ballot to every Member entitled to vote on the matter which shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide the time within which to return the ballot to the Association, which shall be not less than fifteen (15) days from the date that the written ballot is distributed to the Members;
- (b) Approval by written ballot pursuant to this Section shall be valid only when a number of votes cast by ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve such action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot;
- (c) Ballots shall be solicited in a manner consistent with the requirements of Section 2 above (Notices of Meetings). All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.
- (d) A written ballot may not be revoked.

ARTICLE VI. DIRECTORS

Section 1. Powers. Subject to any limitations of the Articles of Incorporation, of these Bylaws, and of the General Nonprofit Corporation Law of California, and subject to the duties of Directors as prescribed by these Bylaws, all corporate powers of the Association shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by, the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby declared that the Directors shall have the following powers:

- (a) To select and remove all Officers, agents and employees of the Association and prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or these Bylaws;
- (b) To conduct, manage and control the affairs and business of the Association and to make such rules and regulations therefore not inconsistent with law, the Articles of Incorporation or these Bylaws, as they may deem best;
- (c) To change the principal office for the transaction of the business of the Association from one location to another within the same county as provided in Article I, Section 2, hereof; to designate the place for the holding of any Members' meeting or meetings; and to adopt, make and use a corporate seal, and to prescribe the forms of membership certificates and/or membership identification cards, from time to time, as in their judgment they deem best;
- (d) To take such steps as may be necessary to implement any of the powers of the Association as provided in Article II, Section 2, hereof; and
- (e) To appoint an Executive Committee and other committees, and to delegate to such Executive Committee any of the powers and authority of the Board in the management of the business and affairs of the Association except the power to adopt, amend or repeal Bylaws. Any such Executive Committee shall be composed of two (2) or more Directors.
- (f) The Board of Directors shall not purchase, lease or rent any real property in which the total dollar amount of such expense exceeds \$200,000, without the approval of the owners, constituting a quorum, casting a majority of votes in the affirmative

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at a meeting or election of the Association conducted in accordance with California law, Corporate codes and CLPOA governing documents.

- (g) The Board of Directors shall not make any capital improvements or additions to any one facility in which the total expense for such improvements exceeds \$800,000 within a two-year period (excluding any road repairs or improvements), without the approval of the owners, constituting a quorum, casting a majority of votes in the affirmative at a meeting or election of the Association conducted in accordance with California law, Corporate codes and CLPOA governing documents.

Section 2. Number and Qualification. The authorized number of Directors of the Association shall be five (5) until changed by an amendment of the Articles of Incorporation or by a Bylaw amending this Section 2 duly adopted by the Members.

The Board of Directors shall be made up of prime or Associate Members of the Association, each of whom must be in good standing when elected and remain so throughout the Director's term of office. A member is *not* in good standing if said member is adjudicated, after notice and hearings (in accordance with the minimum due process standards of Corporation Code Section 7341), of an assessment delinquency in any amount or of violation of the Association's CC&Rs or rules and regulations, provided, however, any such delinquency or violations, once cured, shall not thereafter constitute a continuing disqualification to holding the office of Director. The Board pursuant to Corporations Code Section 7221(b) may remove any Director not in good standing as a member of the Association. The Board in accordance with Corporations Code Section 7221(a) may remove any Director who fails to attend three consecutive regular meetings of the Board.

Section 3. Election and Term of Office. Directors shall serve for two (2) year terms. If the Board is composed of five (5) Directors, two (2) will be elected in one (1) given year and three (3) in the next year; provided, however, the first election of Directors subsequent to the adoption of this amended Section shall be as follows: The candidates who receive the two (2) highest vote totals shall be elected to two (2) year terms, and the remaining three (3) Directors shall be elected to one (1) year terms.

The term served by an elected Director shall be limited to two (2) terms (or four years). Upon a Director's completion of four (4) consecutive years of service, there will be a four (4) year waiting period before that Director can again be a candidate for the office of

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Director. If a current Director has served more than two (2) consecutive terms prior, that Director shall finish the current two (2) year term, and then term limits shall apply. No Director can serve for more than a total of six (6) years.

If a Director resigns, dies or is removed, that position cannot be filled by a person who is, at that time, in a four (4) year waiting period. A person appointed by the Board to replace a Director will complete the term requirement and term limits will apply, retroactive to the original date of the elected position unless the time left to serve is less than one (1) year. If the replacement time served by an appointed Director is less than one (1) year, that Director may run for two (2) consecutive terms following that interim replacement service. If the entire Board is removed, dies or resigns, the election of Directors shall be as described in paragraph one above, except the Director's serving one (1) year terms shall be considered serving a full term and term limits would apply.

Directors shall serve for the terms stated above or until their respective successors are elected, or until their death, resignation or removal, whichever is earliest. Any successor Director selected to fill a vacancy in accordance with Section 4, below, shall serve for the balance of the term remaining in order to preserve the staggered terms and election of the Directors. Any Director may resign at any time by giving written notice to the President or Secretary. Any Director may be removed from office by a vote of a majority of the Members entitled to vote at any election of Directors. If any or all Directors were so removed, new Directors may be elected at the same meeting.

Section 4. Vacancies. Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his/her successor is elected at an annual or special meeting of the Members.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any Director, or if the authorized number of Directors be increased, or if the Members fail at any annual or special meeting of Members at which any Director or Directors are elected to elect the full authorized number of Directors to be voted for at that meeting, or if a vacancy is declared by the Board of Directors for any reason permitted by law.

The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the Members shall have power to

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elect a successor, pursuant to the provisions hereof, to take office when the resignation is to become effective.

No reduction of the authorized number of Directors shall have the effect of removing any Director from office prior to the expiration of his/her term.

Section 5. Regular Meetings. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of Officers, and the transaction of other business. Call and notice of such meetings are hereby dispensed with.

Section 6. Special Meetings; Notices. Special meetings of the Board may be called at any time by the Chairman, or by the President or if they are unable or refuse to act, by any Vice President, or by any two (2) Directors. Written notice of the time and place of special meetings shall be given at least four (4) days prior to the meeting date if by first-class mail or forty-eight (48) hours' notice if delivered personally or by telephone or telegraph prior to the holding of the meeting.

Section 7. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum is present, and if, either before or after the meeting, each of the Directors not present sign a written waiver of notice or a consent to holding such meeting or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Voting on any issue shall take place only at televised meetings with the exception of Emergency and Executive Session items; Emergency items are defined as any unforeseen circumstance, which could not have been reasonably foreseen which requires immediate attention for the protection of Association assets. At least four (4) Board Members must concur that an emergency situation exists. Executive Session items are defined by California law and Corporate codes.

Section 8. Quorum. A majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board

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of Directors unless a greater number be required by law or by the Articles of Incorporation.

Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all Members participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

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 such meeting, or such greater number as required by the California Corporations Code, the Articles of Incorporation or these Bylaws.

Section 9. Adjournment and Notice. A quorum of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at any Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

Section 10. Removal of Directors: By Shareholders: Vote Required: Election of New Directors. The entire Board of Directors or any individual Director may be removed from office by a vote of shareholders holding a majority of the outstanding shares entitled to vote at an election of Directors.

However, unless the entire Board is removed, an individual Director shall not be removed if the number of shares voted against the resolution for his/her removal exceeds the quotient arrived at when the total number of outstanding shares entitled to vote is divided by one (1) plus the authorized number of Directors. If any or all Directors are so removed, new Directors may be elected at the same meeting.

Section 11 – Indemnification of Directors, Officers and Employees.

(a) For the purposes of this Section, "agent" means any person who is or was a Director, Officer, employee or other agent of the Association, or is or was serving at the request of the Association as a Director, Officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; "proceeding" means threatened, pending or completed action or proceeding, whether civil, criminal,

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administrative or investigative, and "expenses" include, without limitation, attorney fees and any expenses of establishing a right to indemnification under paragraph (d) or subparagraph (e)(iii) of this Section.

(b) The Association shall have the power to indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the Association to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Association or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) The Association shall have the power to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this paragraph (c):

- (i) In respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the Association in the performance of such person's duty to the Association, unless and only to the extent that the Court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such Court shall determine;
- (ii) Of amounts paid in settling or to otherwise disposing of a threatened or pending action, with or without Court approval; or

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(iii) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without Court approval.

(d) To the extent that an agent of the Association has been successful on the merits in defense of any proceeding referred to in paragraphs (b) and (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in paragraph (d), any indemnification under this Section shall be made by the Association only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c), by:

(i) A majority vote of a quorum constituting Directors who are not parties to such proceedings;

(ii) Approval of the Members. For purposes of determining the required quorum of any meeting of Members called to approve indemnification of an agent and the vote or written consent required therefor, the vote of any Member to be indemnified shall not be considered outstanding and shall not be entitled to be cast thereon; or

(iii) The Court in which such proceeding is or was pending, upon application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Association.

(f) Expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Section.

(g) This Section does not apply to any proceeding against any trustee, investment manager or other fiduciary of any employee benefit plan in such person's capacity as such, even though such person may also be an agent of the Association as defined in paragraph

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(a). Nothing contained in this Section shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this Section. In addition, to the maximum extent permitted by applicable law, the right of indemnification hereby given shall not be exclusive of or otherwise affect any other rights such agent may have to indemnification, whether by law or under any contract, insurance policy or otherwise.

(h) No indemnification or advance shall be made under this Section, except as provided in paragraph (d) or subparagraph (e)(iii), in any circumstance where it appears:

(i) That it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Members or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(ii) That it would be inconsistent with any condition expressly imposed by a Court in approving a settlement.

(i) Upon determination by the Board, the Association may purchase and maintain insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under the provisions of this Section.

(j) Upon the written request of any agent of the Association who was or is party, or is threatened to be made a party, to any threatened, pending or completed proceeding, the Board shall meet within ten (10) days of such request and shall determine whether indemnification of such agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) and (c).

ARTICLE VII. OFFICERS

Section 1. General. The Officers of the Association shall be a President, one (1) or more Vice Presidents, a Secretary and a Treasurer, and each of them shall be elected by the Board of Directors. The Association may also have such other Officers, including one (1) or more Assistant Secretaries, as may be appointed by the Board of Directors. Officers,

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other than the President, need not be Directors. One (1) person may hold two (2) or more offices, except those of the President and Secretary.

Each Officer shall hold his/her office until he/she shall resign or shall be removed or otherwise disqualified to serve, or his/her successor shall be elected and qualified; provided that Officers may be appointed at any time by the Board of Directors for the purpose of initially filling an office or filling a newly created or vacant office.

Section 2. Removal and Resignation. Any Officer may be removed, either with or without cause, by a majority of the Directors in office at the time, at any regular or special meeting of the Board of Directors.

Any Officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary of the Association. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 4. President. The President, who shall be chosen from the Board of Directors, shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and Officers of the Association. He/she shall preside at all meetings of the Members and of the Board of Directors. He/she shall be an ex-officio member of all the standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 5. Vice-Presidents. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall have such other powers and

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perform such other duties as may be prescribed for them respectively by the Board of Directors, the President or these Bylaws.

Section 6. Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board of Directors may order, a book of minutes of all meetings of Directors and Members, or a duplicate thereof, with the time and place of holding; whether regular or special, and, if special, how authorized; the notice thereof given; the names of those present at Directors' meetings; the number of memberships present or represented at Members' meetings; and the proceedings thereof.

The Secretary shall keep or cause to be kept, in any form permitted by law, at the principal office or such other place as the Board of Directors may order, a membership register, or a duplicate thereof, showing the names of the Members and their addresses, the description and number of Lots, if more than one, upon which such membership is based, the number and date of membership certificates issued, and the number and date of cancellation of membership certificates surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the Members and of the Board of Directors required by these Bylaws or by law to be given, and shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the President or these Bylaws.

Section 7. Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains or losses. The books of account shall at all times be open to inspection by any Director.

The Treasurer shall deposit all moneys and other valuables in the name of and to the credit of the Association with such depositaries as may be designated by the Board of Directors. He/she shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of his/her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the President or these Bylaws.

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ARTICLE VIII. ANNUAL ASSESSMENT

Section 1. General. Each year the Board of Directors shall consider the current and future needs and adequate reserves of the Association and, in light of those needs, fix by resolution the amount of the annual assessment to be levied against each Lot in the Subdivision, which amounts shall be a debt of the owner thereof at the time such charge is made.

Section 2. Amount. The annual assessment to be so levied shall be as follows:

- (a) For operation, maintenance and control of the streets, parks and pedestrian easements in the Subdivision, the annual assessment shall be not less than Twenty Dollars (\$20.00) nor more than Fifty Dollars (\$50.00) per Lot, or such additional sum as may be necessary to provide funds for such purpose.
- (b) For operation, maintenance and control of the recreational facilities to be acquired by the Association when 3,500 single family residential Lots are sold in the Subdivision or on January 31, 1973, whichever comes first, the annual assessment shall not be less than One Hundred Eight Dollars (\$108.00) nor more than Two Hundred Dollars (\$200.00) per Lot, or such additional sum as may be necessary to provide funds for such purpose.

Section 3. Notice. The Secretary shall mail to each Member, at such Member's record address, written notice of each annual assessment and the time and manner for payment thereof at least two (2) weeks prior to the time such assessment shall become due and payable.

Section 4. Lien. The amount of such annual assessment, plus any other charges thereon, such as interest when delinquent and costs of collection (including attorney fees), if any, shall constitute and become a lien on the Lot so assessed or on the underlying real property (in the case of units in a multi-family residential building or guesthouse, inn or hotel facility) when the Board of Directors causes to be recorded with the County Recorder of Riverside County a notice of assessment which shall state: the amount of such assessment and such other charges; a description of the Lot or other real property which has been assessed; and the name of the record owner thereof. Such notice shall be signed by the Secretary of the Association on behalf of the Association. Upon payment of said assessment and charges in connection with which such notice has been so recorded, or

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other satisfaction thereof, the Board of Directors shall cause to be recorded further notice stating the satisfaction and the release of the lien thereof.

The authority to levy such assessment upon Lots in the Subdivision is granted to the Association by Corona Land Co., a California corporation, Developer of the Subdivision, as part of the recorded Declaration of Restrictions imposed and to be imposed by it from time to time upon the various units comprising the Subdivision. In addition, certain agreements and individual deeds to Lots granted similar authority to assess and levy upon a lien with respect to the recreational facilities.

Section 5. Priority of Lien. Such lien shall be prior to all other liens recorded subsequent to said notice of assessment.

Section 6. Lien Enforcement. The lien provided for herein may be enforced by sale by the Association, its attorney or other person authorized to make the sale, after failure of the responsible party to pay the annual assessment in accordance with the provisions of Section 2924, 2924b and 2924c of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law.

ARTICLE IX. MISCELLANEOUS

Section 1. Record Date and Closing Membership Register: The Board of Directors may fix a time, in the future, not exceeding sixty (60) days preceding the date of any annual or special meeting of Members, as a record date for the determination of the Members entitled to notice of and to vote at any such meeting, and in such case only Members of record on the date so fixed shall be entitled to notice of and to vote at such meeting, notwithstanding any transfer of any membership on the books of the Association after any record date so fixed. For the purpose of determining such record date the Board of Directors may close the books of the Association against transfer of membership during the whole, or any part, of any such period.

Section 2. Inspection of Records. The membership register or duplicate membership register, the books of account and minutes of proceedings of the members, and the Board of Directors and the Executive Committee, if any, shall be open to inspection upon written demand of any Member at any reasonable time and for a purpose reasonably related to his/her interests as a Member.

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Section 3. Checks and Drafts. All checks, drafts or other orders for payment of money; notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 4. Accounting Reports. The Board shall cause to be maintained in a manner consistent with generally accepted accounting principles, a full set of books and records showing the financial condition of the Association. At least once a year an independent, certified audit of such books and records shall be conducted. A copy of each such audit shall be made available, within one hundred twenty (120) days following the close of the Association's fiscal year for delivery, upon request, to any Member of the Association. The Association shall notify each Member yearly of the right to receive an annual report of the Association upon receipt of the Member's written request.

Section 5. Execution of Contracts. The Board of Directors, except as may be otherwise provided in these Bylaws, may authorize any Officer or Officers, agent or agents, to enter into any contract or execute any instrument or document in the name of, and on behalf of, the Association and such authority may be general or confined to specific instances. Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts, promissory notes and other evidences of indebtedness, deeds of trust, mortgages and other corporate instruments or documents requiring the corporate seal, shall be executed, signed or endorsed by the President (or any Vice President) and by the Secretary (or any Assistant Secretary) or the Treasurer.

Section 6. Limitation of Powers. No contract shall be entered into with the Developer of the Subdivision, which binds the Association and its Board of Directors for a period in excess of one (1) year without reasonable cancellation provisions included therein. This provision shall not apply to the assumption of the long term leases of the lake and other recreation facilities placed in trust for the Association by the Developer.

The Association shall not incur debt in excess of an aggregate of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year for the purchase of real or personal property, the issuance of bonds or debentures, or the mortgage of any of its property without the prior vote or written consent of a majority of votes represented, in person and voting at a duly held meeting at which a quorum is present or by written ballots solicited in conformity with the Corporations Code.

The Association shall have no power to levy assessments on any property other than Lots.

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Section 7. Inspection of Bylaws. The Association shall keep in its principal office for the transaction of business the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to Member inspection at all reasonable times.

Section 8. Dissolution. In the event of the dissolution of the Association, the Association's property and assets remaining after all of its debts and liabilities have been paid or provided for, shall be distributed to the then owners of Lots in the Subdivision in proportion to their percentage of ownership.

ARTICLE X. AMENDMENTS

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written assent to Members entitled to exercise a majority of the votes represented, in person, and voting at a duly held meeting at which a quorum is present or by written ballots solicited in conformity with the Corporations Code.ⁱ

ⁱ [Editorial Note: In 2000, CLPOA's membership approved the addition of Art. XI to the Bylaws, pursuant to an agreement between CLPOA and a 3rd party for development of certain land, which ultimately never occurred. The text of Art. XI states: "The Members of the Association, having ratified that certain Development Agreement of February, 2000, between the Association and Mobey's Landing, LLC, do hereby delegate to and authorize the Association, action by and through its Board of Directors, the authority and discretion to carry out the Association's obligations and exercise the Association's prerogatives under said Development Agreement, including, but not limited to, the creation of eight new memberships, with said membership rights to be appurtenant to eight lots in Tract 29293."]