

BYLAWS  
OF  
MONTAIR SUBDIVISION HOMEOWNERS ASSOCIATION, INC.

ARTICLE I  
OFFICES

The Board of Directors shall fix the location of the principal office of the Association which shall be within the County of Siskiyou, State of California.

ARTICLE II  
A. MEETINGS OF MEMBERS

Section 1. General Membership Meetings. A general meeting of members of the Association shall be held each calendar year in March or April on a date, time and place set by the Board of Directors. It will be conducted within the Montair Subdivision or at a meeting place, as close thereto as practical, but in no event will the location be outside of Siskiyou County.

Section 2. Special Meetings. (a) A special meeting of the members shall be promptly scheduled by the governing body in response to:

- (1) The vote of the Board of Directors itself;
- (2) Written request for a special meeting signed by members representing ownership of at least 4 lots within the Subdivision;
- (b) A special meeting of the members may be called by the President of the Association.

Section 3. Notice of Meetings. Written notice of regular and special meetings shall be given to members by the Board of Directors (Board) by mail or by placing the notice in a conspicuous place near the primary entrance to each residence. Notice shall be given not less than 10 nor more than 90 days before the date of any meeting at which members are required or permitted to take action. The notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the nature of the business to be undertaken.

Section 4. Quorum for General Membership Meetings. One-third (1/3) of the total voting power of the Association shall constitute a quorum for the transaction of business at a meeting with members of the Association through presence in person or by proxy. In the absence of a quorum at a members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of a quorum by those in attendance shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. The quorum for an adjourned meeting shall be one-fourth (1/4) of the total voting power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment of the meeting on the original date, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meeting.

Section 5. Acts Without a Meeting. Any action which may be taken by the vote of members at a regular or special meeting, except for a meeting involving election of the governing

body where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of *Corporations Code Section 7513*.

Section 6. Form of Proxy or Written Ballot. The form of any proxy or written ballot shall conform to the requirements of *Corporations Code Section 7514*. Voting for the Board of Directors shall be by secret ballot.

Section 7. Cumulative Voting. Cumulative voting shall be permitted for all elections in which more than two directors are to be elected, subject to provisions of *Corporations Code 7615*.

Section 8. Record Date. The record date for the purpose of determining the members entitled to notice of any meeting shall be ten (10) days prior to the date of notice of the meeting.

## ARTICLE II

### B. MEETINGS OF BOARD MEMBERS

Section 1. Board of Directors Meetings. Meetings of the Board of Directors are to be held monthly. The Board may cancel any regular meeting if business to be transacted by it does not justify the meeting. In no event, however, may meetings be held less frequently than once every six (6) months. The meetings shall be held at a time and place within the subdivision fixed by the Board of directors from time to time. Notice of the time and place may be posted at a prominent place or places within the common area and/or communicated to the members by newsletter or other publication. The Board of Directors is encouraged to establish and publish for the members a regular, or standing time, date and place for its meetings. For meetings not conducted at a standing time, notice of time, date and place shall be communicated to the directors not less than four (4) days prior to the meeting, provided that notice of a meeting need not be given to a director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 2. Special Meetings. A special meeting of the Board of Directors may be called by written notice of the president of the Association or by two (2) directors other than the President. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice shall be posted in a manner prescribed for notice of regular meetings and shall be sent to all directors at less than seventy-two hours prior to the scheduled time of the meeting provided, however, that notice of the meeting need not be given to any director who signs a waiver of notice or a written consent to holding of the meeting.

Section 3. Open Meetings. Regular and special meetings of the Board of Directors shall be open to all members of the Association provided, however, that Association members who are not on the Board of Directors may not participate in any deliberation or discussion unless expressly approved by consensus agreement of all directors present, or by the vote of a majority of a quorum of the board of Directors.

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

Section 4. Quorum. A quorum of the Board of Directors is three (3).

Section 5. Acts Without a Meeting. The Board of Directors may take actions without a meeting if all its members consent in writing to the action to be taken. In the event of an urgent situation, approval of a director by telephone or electronically conveyed communication to the President, or his representative, is acceptable. In the event of such action, the President, or his representative, shall communicate the actions taken to all the members, by newsletter or other publication, with notification of the time, date and place of the next scheduled Board meeting where the topic will be placed on the agenda.

### ARTICLE III NUMBER OF DIRECTORS

The number of Directors shall be five (5).

### ARTICLE IV ELECTION OF DIRECTORS

Section 1. Nominating. Any group of members entitled to cast 4 or more votes may nominate candidates for director. A committee of two (2) or more members appointed by the board may nominate candidates for director. Nomination shall consist of submitting to the secretary of the Association in writing the name of the candidate before the annual meeting. All nominees must be members and must be of legal voting age. Prior to a vote being taken, at the general membership meeting, the President may accept nominations from the floor, provided that the candidate is present, accepts the nomination, and is otherwise eligible for election.

Section 2. Notice, re: Candidates. Not less than ten (10) days before the annual meeting, the Secretary of the Association shall notify all members by mail or personal delivery of the names of all candidates accepted to that date.

Section 3. Terms of Office of Directors. The normal term of office shall be two (2) years, with three (3) directors to be elected every (2) years and two (2) directors to be elected in intervening years.

Section 4. Vacancies. Vacancies occurring between elections for any reason other than a vacancy created by removal of a director shall be filled by a majority of the directors then in office. Vacancies created by removal of a director from office, and vacancies not filled by the Board of Directors, shall be filled by voting members of the Association.

Section 5. Removal From Office. Directors may be removed from office as provided in *Corporations Code Section 7221-7223*.

### ARTICLE V OFFICERS

Section 1. Number of Officers. The officers of the Association shall be President, Secretary, and Chief Financial Officer.

Section 2. Duties of Officers:

A. President. Subject to such supervisory powers, if any, as may be given by the Board of Directors, the President shall be the chief executive officer of the corporation and

shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the corporation. He shall preside at all meetings of the members and at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

B. Secretary. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all such meetings and actions of directors, committees of directors, and members, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of members present or represented at members' meetings, and the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a register, showing names of all members and their addresses.

The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of directors or by the Bylaws.

C. Chief Financial Officer. The Chief Financial Officer is an appointed position of the Board of Directors. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and retained earnings. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the corporation 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 transactions as Chief Financial Officer and of the financial condition of the Association, and shall have other powers and perform such other duties as may be prescribed by the Board of directors or the Bylaws.

## ARTICLE VI COMMITTEES

Section 1. Architectural Control Committee. The Board of Directors shall establish an Architectural Control Committee in conformity with the provisions of the Declaration of Restrictions for Montair Subdivision recorded in the official records of the County of Siskiyou, State of California in Book 1014, at pages 279 through 281.

Section 2. Nominating Committee. The Board shall establish a Nominating Committee,

consisting of not less than three (3) members of the Association.

Section 3. Other Committees. The Board of directors may establish such other committees from time to time as it finds desirable to carry on the Association's activities.

## ARTICLE VII INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

The Association shall, to the maximum extent permitted by the California Nonprofit Mutual Benefit Corporation Law, indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the Association. For purposes of this section, an "agent" of the Association includes 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 other agent of another corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee or agent of a corporation which was a predecessor corporation or of another enterprise at the request of such predecessor corporation.

## ARTICLE VIII RECORDS AND REPORTS

Section 1. Corporate Records. The Association shall keep at its principal office the following documents:

- a. Article of Incorporation
- b. Bylaws;
- c. Declaration of restrictions for Montair Subdivision;
- d. List of members and their addresses and class of membership;
- e. Minutes of membership, directors, and committee meetings;
- f. Annual financial statements;
- g. Names and addresses of the officers of the Association;
- h. Name and address of agent for service of process; and,
- i. Annual statements of transactions with interested persons and of indemnification.

Section 2. Inspection of records. Any member may inspect and copy any of the records listed in Section 1 above during the normal business hours of the Association PROVIDED that the membership list may not be used by any person for any purpose unrelated to the member's interest as a member without the consent of the Board, and PROVIDED that the normal business hours must be not less than two (2) hours per day or not less than three (3) days each week.

## ARTICLE IX OTHER CONTROLLING DOCUMENTS

In addition to these Bylaws, the activities of this Association are controlled in important ways by the laws of the State of California, particularly the California Corporations Code, Title 1, Division 2, Part 3, by the Declaration of Covenants, Conditions and Restrictions for Montair Subdivision, by the Articles of Incorporation of this Association, and by various agencies of the State of California and the County of Siskiyou.

ARTICLE X  
EFFECT OF COVENANTS, CONDITIONS AND RESTRICTIONS

In the event of any conflict between the language of these Bylaws and the Declaration of Covenants, Conditions and Restrictions for the Montair Subdivision recorder in the Official Records of Siskiyou County, State of California, the latter shall prevail.

ARTICLE XI  
EXPULSION, SUSPENSION OR TERMINATION OF A MEMBER

Section 1. Before any member may be expelled or suspended, and before any membership may be terminated or suspended:

- a. The action must be taken in good faith;
- b. The provisions of this Article must be mailed annually to all members at the time of the notice of the annual meeting is distributed to members;
- c. Fifteen days' prior notice of the proposed expulsion, suspension or termination must be given in writing to the member affected, giving the reasons therefore. The notice shall be given by first-class or registered mail sent to the last address on file with the Association.
- d. The member shall have the opportunity to be heard by the Board of Directors, orally or in writing at the option of the member, not less than five (5) days before the effective date of the proposed action.
- e. Any action by the member to challenge an action taken by the Association is limited by *Corporations Code Section 7341*.

ARTICLE XII  
AMENDMENTS TO INSTRUMENTS

The percentage of voting power necessary to amend the governing instruments of the Association shall be as set forth in the Declaration of Covenants, Conditions and Restrictions for Montair Subdivision.

ARTICLE XVIII  
BUDGETS, FINANCIAL STATEMENTS AND BANK ACCOUNTS

13.01 Proposed Budget. Not less than 75 days before the beginning of each fiscal year, the Board shall prepare or cause to be prepared, a proposed pro forma budget for the forthcoming fiscal year. Any Owner or Mortgagee may make written comments to the Board with respect to said pro forma operating statement. The pro forma operating statement shall be prepared consistently with the prior fiscal year's operating statement and shall include adequate reserves for contingencies for maintenance, repair and replacement of the Common Area improvements, Units and Association personal property likely to need maintenance, repair or replacement in the future.

13.02 Adopt Budget. Not more than 75 days nor less than 60 days before the beginning of each fiscal year, the Board shall meet to review the proposed pro forma budget, any written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, shall adopt the budget and establish the Regular Assessment for the forthcoming fiscal year.



**13.03 Budgets, Financial Statements.** The following financial and related information shall be regularly prepared and distributed by the Board to all members of the Association:

- a. **Budget.** A pro forma operating budget for the immediately ensuing fiscal year consisting of at least the following information shall be distributed not less than 45 days and not more than 60 days prior to the beginning of the fiscal year:
  - (1) Estimated revenue and expenses of the Association on an accrual basis;
  - (2) A summary of the Association's reserves based on the most recent reserves review or study conducted pursuant to Subsection 13.04 (entitled "Reserves and Reserves Study"), which shall be printed in bold type and shall include the following:
    - i. the current estimated replacement cost, estimated remaining life and estimated useful life of each major component which the Association is obligated to maintain (collectively the "major components");
    - ii. As of the end of the fiscal year for which the study was prepared:
      - (a) The current estimate of cash reserves necessary to repair, replace, restore or maintain the Major Components; and
      - (b) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the Major Components; and
    - iii. The percentage that the amount in (ii)(b) is to the amount in (ii)(a);
  - (3) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore and Major Component or to provide adequate reserves therefore; and
  - (4) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement, or additions to those major components of the common areas and facilities for which the Association is responsible.
- b. **Balance Sheet.** A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first date of a Lot in the Project, and an operating statement for the period from the date of first closing to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the Lot number and the name of the entity assessed;
- c. **Report.** A report consisting of the following shall be distributed within 120 days after the close of the fiscal year:
  - (1) A balance sheet as of the end of the fiscal year.
  - (2) An operating (income) statement for the fiscal year.
  - (3) A statement of changes in financial position for the fiscal year.
  - (4) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

If the report referred to in paragraph "c" above is not prepared by an independent accountant, it shall be accompanied by a certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

In lieu of the proforma operating budget referred to in the subsection above entitled "Budget," the Board of Directors may elect to distribute a summary of the proforma operating budget to all Members with a written notice (in at least 10-point bold type on the front page) that the budget is available at a location within the Project's boundaries and that copies will be provided upon request and at the expense of the Association. The Association must mail a copy of the proforma operating budget by first-class United States mail to Members requesting same at the expense of the Association and be delivered within five (5) days.

- d. Statement of Enforcement Policies. In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of regular and special assessments, including the recording and foreclosing of liens against Member's Lots.

#### 13.04 Reserves and Reserves Study.

- a. Reserves. Each annual regular assessment shall include a portion for reserves in such amount as the Board in its discretion considers appropriate to meet the cost of the future repair, replacement or additions to the major components that the Association is obligated to maintain and repair. Reserve funds may not be expended for any purpose other than the repair, restoration, replacement or maintenance of major components which the Association is obligated to maintain.
- b. Transfer of Reserves. Notwithstanding the foregoing, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses. The transferred funds shall be restored to the reserve fund within three (3) years of the date of the initial transfer, provided that the Board, on making of a finding supported by documentation that a delay is in the best interest of the Development, may delay the restoration until the time which the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limit required herein. The special assessment shall not be subject to the assessment increase restrictions set forth in Subsection 8.4 (entitled "Regular Annual Assessments") and *Civil Code Section 1366 (b)*.
- c. Reserve Study. At least once every three (3) years, the Board shall cause a study of the reserve account requirements to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half ( $\frac{1}{2}$ ) of the gross budget of the Association for any fiscal year. The Board shall review this study annually and shall



consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

The study shall, at a minimum, include:

- (1) Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;
- (2) Identification of the probable remaining useful life of the components identified in subparagraph (1) during and at the end of its useful life;
- (3) An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified as a subparagraph (1) during and at the end of its useful life; and
- (4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life after subtracting total reserve funds as of the date of the study.

As used herein, "reserve accounts" means moneys that the Board has identified for use to defray the future repair or replacement of, or additions to those major components which the Association is obligated to maintain; and, "reserve account requirements" means the estimate of funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

The provisions of the Subsection entitled "Reserves and Reserves Study" are intended to comply with the requirements of *Civil Code Section 1365.5(c) and (d)*. If these Civil Code sections are rescinded or amended in any manner, the provisions of the Subsection automatically shall be rescinded or amended in any manner, the provisions of the Subsection automatically shall be rescinded or amended in the same manner.

**13.05. Bank Accounts.** The Association shall deposit all funds collected from Owners pursuant to the Section herein entitled "Assessments" and all other amounts collected by the Association, as follows:

- a. General. All funds shall be deposited in a separate bank account ("General Account") with a bank located in California. The Association shall keep accurate books and records regarding such account. Funds deposited in such account may be used by the Association only for the purposes for which such funds have been collected.
- b. Reserve. Funds which the Association shall collect for reserves for capital expenditures relating to the repair and maintenance of the Units and Common Area, and for such other contingencies as are required for good business practice shall, within ten (10) days after deposit in the General Account, be deposited into an interest bearing account with a bank savings and loan associations selected by the Association, or invested in Treasury Bills or Certificates of Depositor otherwise prudently invested, which shall collectively be referred to as the "Reserve Account." Funds deposited into the Reserve Account shall be held in trust and may be used by the Association only for the purposes for which such amounts have been collected.

### CERTIFICATION

I, the Undersigned, the duly elected Secretary of Montair Subdivision Homeowners Association, a California corporation, do hereby certify:

That the within and foregoing Bylaws were adopted as revised, as the Bylaws of said corporation on April 17, 2010 by a unanimous vote of the membership, and that the same now constitute the Bylaws of the Montair Subdivision Homeowners Association.

IN WITNESS WHEREOF, I have hereunto subscribed my name and seal of the corporation on May 10, 2010.

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Fred Ehmke, Secretary