



**R-RANCH
IN THE SEQUOIAS
OWNERS' ASSOCIATION**

BY-LAWS

1989-1997

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**BY-LAWS
OF
R-RANCH IN THE SEQUOIAS OWNERS' ASSOCIATION**

**ARTICLE I
Identification**

Section 1. NAME. The name of this corporation is R-RANCH IN THE SEQUOIAS OWNERS' ASSOCIATION which shall be referred to herein as the "Association".

Section 2. PRINCIPAL OFFICE. The principal office of the Association shall be in the County of Tulare, State of California.

**ARTICLE II
Purpose 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 land area situated in Tulare County, California, known and to be known generally and referred to herein as R-RANCH IN THE SEQUOIAS.

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 powers including, but not limited to, the following:

- (a) To exercise the powers and functions granted to it in the recorded Covenants, Conditions and Restrictions of R-RANCH IN THE SEQUOIAS;
- (b) To adopt and enforce charges, easements, restrictions, rules, conditions and agreements existing upon or created for the benefit of the real property in R-RANCH IN THE SEQUOIAS, or for the benefit of the Association or its members, collectively;
- (c) To construct, maintain and operate recreational facilities of all kinds within R-RANCH IN THE SEQUOIAS;
- (d) To maintain, rebuild, repair, beautify and otherwise care for all streets, roads, and/or trails within R-RANCH IN THE SEQUOIAS not subject to maintenance by governmental body;
- (e) 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;
- (f) To appoint such committees as may be necessary to, or convenient in, the discharge of any of its obligations or powers;
- (g) To levy an annual assessment upon its members and to declare the same lien against the property subject thereto in accordance with the recorded restrictions of R-RANCH IN THE SEQUOIAS;
- (h) To sue to collect any charges not paid and in connection therewith to foreclose any lien granted to it;

- (i) To contract and pay for salaries, wages, payroll taxes, insurance, maintenance, gardening, utilities, materials, supplies and services relating to property or facilities owned by the Association or its members collectively, or operated by the Association for the benefit of its members collectively, and operated by it and to employ personnel reasonable necessary for the administration of its affairs including legal counsel and accountants;
- (j) To contract and pay premiums for fire, casualty, liability, workers' compensation, and other insurance, including indemnity and other bonds;
- (k) To expend its monies for the payment and discharge of all proper costs, expenses and obligations incurred in carrying out all or any of these powers in furtherance 3 of its purposes and objectives;
- (l) To operate and maintain a water supply and septic system for R-RANCH IN THE SEQUOIAS;
- (m) To operate or lease the facilities owned by the members including but not limited to the snack bar, general store and clubhouse;
- (n) To pay taxes and assessments, if any, levied by any governmental authority on property owned by the Association and by its members collectively;
- (o) To acquire real or personal property by gift, purchase or other means;
- (p) To borrow money, contract debts, and issue bonds, notes, debentures, and secure the payment or performance of its obligations;
- (q) To prescribe and enforce speed limits within R-RANCH IN THE SEQUOIAS;
- (r) To do all other acts necessary or expedient for the proper operation of R-RANCH IN THE SEQUOIAS and the Association and for the Association's 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, i.e., members and associate members.

Section 2. MEMBERS. Memberships shall be appurtenant to undivided interest in the real property comprising R-RANCH IN THE SEQUOIAS and all persons who became owners thereof shall, by reason of such ownership, become and hereby are made members of the Association. The Developer of R-RANCH IN THE SEQUOIAS shall be a member by reason of his ownership of unsold interests in R-RANCH IN THE SEQUOIAS.

Members shall be limited to the owners of not less than an undivided one/two thousand five hundredth (1/2500) interest in R-RANCH IN THE SEQUOIAS. An undivided 1/2500 interest held by husband and wife in any form of joint ownership, including community property, shall qualify the owners for one (1) membership only.

Ownership of more than one undivided 1/2500 interest in R-RANCH IN THE SEQUOIAS shall entitle the owner to all 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 separately; provided, however, that the owner of more than one undivided 1/2500 interest in R-RANCH IN THE SEQUOIAS shall be considered as a single member only for purposes of notices, and of determination of associate memberships.

A member shall be entitled to one (1) vote for each undivided 1/2500 interest in R-RANCH IN THE SEQUOIAS owned by such member. The right to vote shall vest on recordation of the member's deed.

Section 3. ASSOCIATE MEMBER. The children of a member shall, if they are under the age of 26 and also live in the same residence of the member, be entitled to associate membership in the Association. A spouse, if not a joint owner, shall be an associate member. A person of the opposite sex and their children sharing the same household with a member shall be an associate member.

Persons qualifying as an associate member shall 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, or to attend such meeting. Associate members shall not be required to pay an annual assessment but shall be entitled to enjoy all the other privileges of membership, subject, however, to their observation of all rules and regulations governing the conduct of members.

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

Section 4. PRIVILEGES. Members and associate members, and the guests of members, shall have the use of the ranch streets, parks, and recreational facilities in R-RANCH IN THE SEQUOIAS and any other property or facilities from time to time owned in common by the members, or which may be acquired by the Association, subject to the provisions of the restrictive covenants of R-RANCH IN THE SEQUOIAS and such other rules and regulations for the use of the ranch, streets, parks, recreational facilities, or other property or facilities, as may be adopted by the Board of Directors of the Association, or by the majority of the members attending a meeting as provided for in Article V hereof.

ARTICLE IV Evidence of Membership and Transfer

Section 1. MEMBERSHIP. Membership in the Association shall be evidenced by a Grant Deed, recorded in the Tulare County Recorder's Office, issued in connection with the ownership of an undivided interest in R-RANCH IN THE SEQUOIAS. The Developer's membership in the Association shall be evidenced by the number of unsold undivided interests in R-RANCH IN THE SEQUOIAS which are standing in the name of the Developer.

Section 2. TRANSFER. Membership in the Association is transferable only upon the conveyance of the undivided interest in R-RANCH IN THE SEQUOIAS granting the membership and any other attempted transfer or assignment of membership shall be null and void. Transfers of record which occur by reason of conveyance of any interest in R-RANCH IN THE SEQUOIAS subsequent to the initial conveyance from the Developer, shall be subject to a fee of \$50.00 to be paid to the Association, except as to those transfers to the Developer by reason of negotiations or a default.

All unpaid annual assessments or other indebtedness (to the Association) owed by an individual member must be paid prior to the transfer of an undivided interest to

a new owner. The Developer must pay, each month, the pro-rata portion of the annual assessment and any special assessments on each undivided interest owned by it, subject to the provisions of the Declaration of Covenants, Conditions and Restrictions.

Section 3. MEMBERSHIP CARDS. The Association may issue cards to members and/or associate members from time to time as the Board of Directors may deem necessary to assure proper control and identification.

ARTICLE V Meetings of Members

Section 1. PLACE OF MEETING. Any meeting of the members of the Association shall be held in Tulare County, California on the premises of R-RANCH IN THE SEQUOIAS.

Section 2. ANNUAL MEETING. The annual meeting of the members of the Association for the election of Directors and for the transaction of such other business as may properly come before the meeting, shall be held at such hour and on such day as shall be determined by the Board of Directors. The first meeting of the membership, whether special or annual, shall be held within forty-five (45) days after fifty-one percent (51%) of the undivided interests in R-RANCH IN THE SEQUOIAS have been sold by the Developer of R-RANCH IN THE SEQUOIAS, or within six (6) months after the sale of the first undivided interest in R-RANCH IN THE SEQUOIAS by the Developer, whichever occurs first. Thereafter, the annual meeting of the members of the Association shall be held each year at such hour and on such day as shall be determined by the Board of Directors, but in no event shall an annual meeting be held less than once each calendar year. If the scheduled date of the annual meeting falls on a legal holiday, the meeting shall be held at the same time on the next business day.

Written notice of each annual meeting shall be given to each member entitled to vote thereat, either personally or by mail or by other means of written communication, charges prepaid, addressed to such member at his record address appearing on the books of the Association. All such notices shall be sent to each member entitled thereto not less than ten (10) nor more than ninety (90) days before each annual meeting, and shall specify the place, the date and the hour of such meeting, and shall also state the general nature of the business or proposal to be considered or acted upon at such meeting.

Section 3. SPECIAL MEETINGS. Special meetings of the members, for any purpose or purposes whatsoever, may be called at any time by the President of the Association or by the vote of a majority of the Board, or by Members representing five percent (5%) or more of the total voting power of members other than Declarant, except in cases where another express provision is made by statute, these By-Laws or the Declaration, notice of such special meeting shall be given in the same manner as for annual meetings and may be given by any person or persons entitled to call such meetings. Notices of any special meeting shall specify, in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

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 delivered personally or sent by registered mail or by telegraph or other facsimile transmission to the President, the Vice-President or the Secretary of the Association. The officer receiving the request shall cause written notice to be promptly given to the members entitled to vote that a meeting will be held, and the date for such meeting, which date shall be not less than ten (10) 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 members requesting the meeting may give the notice.

Section 4. ADJOURNED MEETING AND NOTICE THEREOF. Any members' meeting, either annual or special, whether or not a quorum is present, may be adjourned from time to time by a vote of a majority of the voting power which is either present in person or represented by proxy thereat.

Any meeting, either adjourned for a period of not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of time and place of the adjourned meeting shall be given to members in the same manner prescribed for regular meetings.

Section 5. QUORUM. The presence in person or by proxy of the holders of at least twenty-five percent (25%) of the entire membership entitled to vote 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.

Section 6. SPECIAL NOTICE REQUIREMENTS. Approval by the members of any of the following proposals, other than by unanimous approval of those members entitled to vote, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (i) removing a Director without cause;
- (ii) filling vacancies on the Board;
- (iii) amending the articles;
- (iv) approving a contract or transaction between the Association and one or more Directors, or between the Association and any entity in which a Director has a material financial interest;
- (v) electing to wind up and dissolve the Association; or
- (vi) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Section 7. WAIVER OF NOTICE. The transactions of any meeting of members, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present either in person or by proxy, and (2) either before or after the meeting, each member entitled to vote, not present in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver

of notice, consent, or approval need not specify either the business to be transacted or tile purpose of any meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 6 of this Article, the waiver of notice, consent, or approval shall slate the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of a meeting.

Attendance of a member at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 8. 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 XI, Section 1, of these By-Laws, shall be entitled to vote at such meeting, and provided further that only members who are not delinquent on the payment of their annual assessment shall be entitled to attend an annual or special meeting and to vote thereat. Such vote may be via voice or by ballot, provided, however, that all elections for directors must be by secret ballot. Except as otherwise provided herein, each member is entitled to one vote for each undivided 1/2500 interest in R-RANCH IN THE SEQUOIAS owned by him. Every member entitled to vote at any election for directors shall, subject to the provisions below, have the right to cumulate his votes and give one (1) candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he is entitled or to distribute his votes on the same principal among as many candidates as he thinks fit. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected. No member shall be entitled to cumulate votes for a candidate or candidates unless such candidates name or candidates names have been placed in nomination prior to the voting and the member has given notice at the meeting prior to the voting of the member's intention to cumulate votes. If any one member has given such notice, all members may cumulate their votes for candidates in nomination.

Notwithstanding the above, at any election of Directors at which the Developer holds a majority of the voting power of the Association, a separate nomination and election shall first be held to elect one director (or 20% of the total directors, whichever is greater) at which only members other than the Developer may vote. The remaining positions shall then be filled as set forth above.

Section 9. ACTION WITHOUT MEETING. Any action which may be taken by the vote of members at a regular or special meeting except for the election of the members of the Board may be taken without a meeting if the Association distributes a written ballot to every member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association. The Action shall be deemed approved only when the number of votes cast by ballot within the time period specified 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 at a meeting at which the total number of votes cast was the same as the number of votes cast by

ballot. The ballot must also specify the time by which the ballot must be received in order to be counted.

Section 10. PROXIES. Each person entitled to vote shall have the right to do so either in person or by one or more agents authorized by written proxy, signed by the person and filed with the Secretary of the Association. A proxy shall be deemed signed if the member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by a member or the member's attorney in fact. Any Proxy or written ballot that is distributed to 10 or more members shall satisfy the requirements of California Corporations Code Section 7514 (a) if the Association has 100 or more members.

A validly executed proxy shall continue in full force and effect until (i) written notice is received by the Association of the death or incapacity of the member executing the proxy, or (ii) the member executing the proxy revokes it before the vote is cast under that proxy by (a) delivering a written revocation to the Association, (b) executing a subsequent proxy that is presented to the meeting, or (c) attending and voting in person at any meeting. Unless the proxy indicates otherwise, it shall not be valid after 11 months from the date of execution and in no event shall any proxy be valid after three years from the date of execution. Notwithstanding any of the foregoing, all proxies shall be revocable and shall automatically terminate when the member's membership in the Association terminates. The suspension of any member's voting rights by the Association shall automatically suspend any proxy executed by that member.

No proxy shall be valid with respect to a vote on the following proposals to be approved by the members unless the general nature of the matter to be voted on was set forth in the proxy:

- (i) removing a Director without cause;
- (ii) filling vacancies on the Board;
- (iii) amending the Articles;
- (iv) the sale, lease, conveyance, exchange, transfer, or other disposal of all or substantially all of the Association's assets, or the approval of the principal terms of a merger or the amendments to the principal terms of a merger;
- (v) approving a contract or transaction between the Association and one or more Directors, or between the Association and any entity in which a Director has a material financial interest;
- (vi) electing to wind up and dissolve the Association; or
- (vii) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

ARTICLE VI Directors

Section 1. POWERS. Subject to any limitations of the Articles of Incorporation, of these By-Laws, and of the General Non-Profit Corporation Law of California, and subject to the duties of Directors as prescribed by these By-Laws, 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 expressly 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 of these By-Laws;

(b) to conduct, manage and control the affairs and business of the Association and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation or these By-Laws, 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; and 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 identification cards from time to time, as in their judgement they may deem best;

(d) To take such steps as may be necessary implement any of the powers of the Association as provided in ARTICLE II, Section 2 hereof and as provided in the Declaration subject to the limits set forth below;

(e) To appoint a committee or committees and officers and employees to assist the Board of Directors in the performance of its duties, and to delegate authority and responsibility to those committees, officers and employees;

(f) To prepare budgets and financial statements for the Association which shall be regularly distributed to each member of the Association as follows:

1. A pro forma operating statement (budget) for each fiscal year shall be distributed not less than forty five (45) days and not more that sixty (60) days before the beginning of the fiscal year, including an estimation of revenue and expenses on an accrual basis; the amount of total cash reserves of the Association Currently available for replacement or major repair of common facilities and for contingencies; an itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or addition to major components of the common areas and facilities; and a general statement setting forth the method of calculation of reserves.

2. A balance sheet as of the accounting date, which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the development, and an operating statement for the period from the date of the first closing to the said accounting date which shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the membership number and the name of the entity assessed.

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

a. A balance sheet as of the end of the fiscal year:

- b. An operating (income) statement for the fiscal year;
- c. A statement of changes in financial position for the fiscal year;
- d. A statement disclosing any transaction required to be disclosed by Section 8322 of the California Corporations Code involving transactions entered into by the Association in which any Director or Officer or holder of more than 10 percent (10%) of the voting power of the Association has a direct or indirect material financial interest.

The annual report referred to above must be prepared by an independent accountant if the gross income to the Association during that year exceeds \$75,000.00. If the report is not prepared by an independent accountant, it shall be accompanied by the certificate of the Treasurer of the Association stating that the statements were prepared without audit from the books and records of the Association.

The Board shall do the following not less frequently than quarterly:

1. Cause a current reconciliation of the Association's operating accounts be made and review the same.
2. Cause a current reconciliation of the Associations' reserve accounts to be made and review the same.
3. Review the current year's actual reserve revenues and expenses compared to the current year's budget.
4. Review the most current account statements prepared by the financial institution where the association has its operating and reserve accounts.

Withdrawal of funds from the Associations' reserve account shall require the signatures of either:

1. Two members of the governing body; or
2. One member of the governing body and an officer of the Association who is not also a member of the governing body.

(g) To assess and collect regular and special assessments, the Board shall fix the amount of the annual assessment against each member at least thirty (30) days in advance of each annual assessment period, which period shall be the same as the fiscal year. The Board shall mail written notice of each assessment to every member subject thereto at least thirty (30) days in advance of each annual assessment period. The Board shall take steps to create and foreclose assessment liens as provided in the Declaration against any interest not paid within thirty (30) days after the due date.

The Board shall fix the amount of any special assessment for capital improvements or other purposes and notify every member subject thereto at least thirty (30) days in advance of the due date. Any special assessment in excess of five percent (5%) of the annual budgeted gross expenses shall be proposed by the Board and approved by the vote or written consent of members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association. All special assessments shall be levied against all owners on the same basis as regular assessments except that a special assessments against a member to reimburse the Association for costs of bringing the member and his interest into compliance with the Declaration, Articles, By-Laws or rules and regulations need not be assessed equally against all owners.

The Board shall determine the amount of the regular annual assessment by taking into account real property taxes and assessments for which the Association shall be liable together with all other anticipated costs. The portion of the assessment attributable to all costs may not be increased by the Board more than

20% over the regular assessment for the immediately preceding fiscal year unless approved by the vote or written consent of members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association. The portion of the regular annual assessment attributable to real property taxes and assessments shall be determined according to the real progeny taxes and assessments anticipated to be due during the fiscal year.

Regular assessments against each interest in the development shall commence on the date of the first conveyance of an undivided interest pursuant to the public report, subject to the subsidization of expenses by the Developer as more fully set forth in the Declaration.

(h) the Board shall set the fiscal year for the Association which in the absence of any other designation shall be the calendar year.

The Directors are prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association excluding the developer.

1. Entering into a contract with a third person wherein the third person will furnish goods or services to the Association for a term longer than one year with the following exceptions;

(i) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

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

(iii) Prepaid casualty and/or liability insurance policies not to exceed three years duration provided that the policy permits for short rate cancellation by the insured;

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

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

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

2. Incurring aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

3. Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

4. Paying compensation to members of the Board or to Officers of the Association for services performed in the conduct of the Association's business provided, however, that the Board may cause a member or Officer

to be reimbursed for expenses incurred in carrying on the business of the Association.

5. Filling of a vacancy on the Board created by the removal of a Board member.

Section 2. NUMBER AND QUALIFICATION. The authorized number of Directors of the Association shall be not less than one nor more than five until changed by an Amendment of the Articles of Incorporation or by a By-Law amending this Section 2 duly adopted by the members. Directors shall be required to be members.

Section 3. NOMINATION. Except for the initial Directors selected by the incorporators or the members as provided in these By-Laws, nomination for election to the Board shall be made by a nominating committee consisting of three persons. The nominating committee shall consist of a chairman, who shall be a Director, and two other persons who may either be members of the Association or representatives of the Declarant. Each member of the nominating committee shall be appointed by the Board to serve for a period of one year, and vacancies thereon shall be filled by the Board. The nominating committee may make as many nominations as it desires but not less than the number of positions to be filled. Nominations may only be made from among members.

Notwithstanding the foregoing, any member present in person or by proxy at a meeting in which a Director or Directors are to be elected may place a name in nomination at the meeting prior to the vote. If the Association has 500 or more members, the nomination requirements of California Corporation Code Section 7521 shall be satisfied.

The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communicate their qualifications and reasons for candidacy to the members and to solicit votes, and for a reasonable opportunity for all members to choose among the nominees. Without authorization of the Board, no Association funds may be expended to support a nominee for Director after there are more nominees than can be elected.

Section 4. ELECTION AND TERM OF OFFICE. At the first meeting of members, all of the Directors shall be elected by the members. The term for each Director shall be for two years. Successor Directors shall be elected at each annual meeting thereafter at which a vacancy exists created by the expiration of a prior Director's term of office; provided, however, that if for any reason any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of the members held for that purpose.

All Directors shall hold office until their respective successors are elected.

Section 5. 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 successor is elected at an annual or a special meeting of the members. However, the Board may not fill a vacancy created by the removal of a Director.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of 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 for any reason permitted by law. The removal of any Director is automatic and immediate when that Director ceases to be a member of the Association, except for the initial Directors elected or appointed by the Developer.

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 the power to elect a successor pursuant to the provisions thereof, 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 prior to the expiration of his term of office.

Any Board member may be removed from office by vote of the members; provided, that unless the entire Board is removed, no individual Director shall be removed prior to the expiration of his term of office if the votes cast against removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Director were then being elected. If any or all Directors are so removed, the new Directors may be elected by the members at the same meeting.

A Director who has been elected to office solely by the votes of members of the Association other than Developer, may be removed from office prior to the expiration of his term of office only by the vote of a majority of the voting power of members other than the Developer.

Section 6. REGULAR MEETINGS. Following each annual meeting of members, the Board of Directors shall within thirty (30) days thereafter hold a regular meeting for the purpose of election of officers, and the transaction of other business. Regular meetings shall be held at least every six months and more often if business to be transacted so justifies. Such meetings shall be held on the premises (unless all Directors consent to another location) at a time and place fixed by the Board.

Section 7. SPECIAL MEETINGS. Special meetings of the Board of Directors for any purpose or purposes may be held at any time upon written notice by the President or by any other two (2) Directors. Such meetings may be held at any place designated from time to time by resolution of the Board or by written consent of all members of the Board.

Section 8. NOTICE. Written notice of any meeting, either regular or special, as to time and place, and the nature of any special business for special meetings, shall be delivered personally to each Director by mail or other form of written communication, charges prepaid, addressed to him at his address as it is shown upon the records of the Association. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company at least ninety-six (96) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above prescribed shall constitute due, legal and personal notice to such Director. Notice of the time and place of any meeting shall be posted at a prominent place or places on the premises.

Section 9. 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 be present, and if either before or after the meeting, each of the Directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. all[sic] such waivers, consents or approvals shall be filed with the Association records or made part of the minutes of the meeting.

Section 10. OPEN MEETINGS. All meetings of the Board of Directors shall be open to all members, but members who are not on the Board are not entitled to participate in any deliberation or discussion unless so authorized by a majority vote of the Board.

The Board may, pursuant to a majority vote, adjourn a meeting and reconvene in executive session to discuss and vote on personnel matters, litigation in which the Association is or may become involved and other 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 11. QUORUM. A majority of the Directors entitled to act 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 entitled to act present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number be required by law or by the Articles of Incorporation.

Section 12. 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.

Section 13. ACTIONS WITHOUT MEETINGS. The Board may take actions without a meeting if all of it's Directors consent in writing to the action to be taken.

If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places on the premises within three days after the written consents of all Directors have been obtained.

Section 14. COMPENSATION. Director shall not receive any compensation for any services rendered to the Association as a Director, provided, however, that Directors may be reimbursed for actual out-of-pocket expenses incurred in the performance of his or her duties and shall be entitled to reimbursement of travel expenses and a reasonable per diem allowance for travel to and from and attendance at Board meetings.

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 as may be appointed by the Board of Directors. Officers, other than the President, need not be Directors. One person may hold two (2) or more offices, except those of President and Secretary. It shall not be deemed a conflict of interest for Declarant to hold any office in the Association or to serve on the Board of Directors.

Each officer shall hold his office until he shall resign or shall be removed or otherwise be disqualified to serve, or his 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, or 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 herein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3. VACANCIES. A vacancy in any other office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these By-Laws 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 have general supervision, direction, and control of the business and officers of the Association. He shall preside at all meetings of the members and of the Board of Directors. He shall be an ex-officio member of all committees, if any, and shall have the general powers and duties of management usually vested in the office of President and Chief Executive Officer of a corporation, and such other powers and duties as may be prescribed by the Board of Directors or these By-Laws.

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, 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. Absence or disability of the President shall be determined according to the urgency of the duty to be performed as compared to the extent or length of the Presidents absence or disability.

The Vice-Presidents shall have such other powers and perform such other duties as may be prescribed for them respectively by she Board of Directors, the President or these By-Laws.

Section 6. SECRETARY. 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 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, the names of the members and their addresses, and the number of undivided 1/2500 interests owned at R-RANCH IN THE SEQUOIAS.

The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board of Directors required by these By-Laws 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 By-Laws.

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

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all his transactions as Treasurer and of the financial condition of the Association, and shall have such powers and perform such other duties as may be prescribed by the Board of Directors, the President or these By-Laws.

ARTICLE VIII Discipline

The Board shall adopt and publish all rules and regulations governing the use of R-RANCH IN THE SEQUOIAS, and the personal conduct of the members and their guests thereon, and to establish penalties and temporary suspensions for the infraction thereof, subject to hearing and notice as set forth below. All members must recognize that, by the very nature of R-RANCH IN THE SEQUOIAS, a close cooperation among members is necessary for everyone to benefit.

A member's voting rights and right to use of the recreational facilities shall automatically be suspended during any period in which such membership shall be in default in the payment of any assessment levied by the Association. Members may be fined in an amount not to exceed Fifty Dollars (\$50.00) per violation, and may be suspended from voting and other privileges of the Association for a period not to exceed ninety (90) days for infraction of published rules and regulations except that more severe penalties can be imposed by an arbitrator pursuant to the procedure set forth below.

Any penalty or suspension or other appropriate discipline, other than the automatic suspension for unpaid assessments, must be voted by a majority of a quorum of the

Board of Directors. No suspension shall take effect until after the member involved has been given notice sent by first class or registered mail of the Board of Directors' action to invoke a suspension subject to a hearing to be held not less than five (5) days before the effective date of the suspension. The notice shall be given by the Board to the member not less than eighteen (18) days before the date of the hearing and shall advise the member of the place, date, and hour of the hearing and of the reason the suspension has been proposed. The notice shall also advise the member that he may be heard in opposition either in writing or orally at the hearing.

If the Board determines that a member has proven to be so unruly or uncooperative that the Association as a whole is being adversely affected and the member's attitude or actions are adversely affecting other members' rights to the quiet use and enjoyment of the premises, then the Board can vote by a majority of a quorum to send the matter to arbitration. The Board may request that the arbitrator find in accord with the Board's determination and if the arbitrator does so, the arbitrator shall order the member to sell his interest.

Arbitration shall be pursuant to California Arbitration Law as found in the Civil Code commencing with Section 1280. If the Board and the member cannot agree with an arbitrator, then either may petition the Tulare County Superior Court to appoint a neutral arbitrator as provided in the Civil Code.

The determination of the arbitrator shall be binding. If the arbitrator orders the member to sell his interest to an uninvolved third party and the member refuses or fails to do so in a reasonable time, then the arbitrator shall have the power to order that the value of the member's interest be appraised and the Association shall pay said value to the member for his interest less reasonable expenses incurred, including attorney's fees and arbitrator's fees.

ARTICLE IX Indemnification

Section 1. INDEMNIFICATION RIGHT AND POWER. The Association shall indemnify any agent of the Association who was a party to any proceeding by reason of the fact that the person is or was an agent of the Association against expenses actually and reasonably incurred in any proceeding to the extent that the agent was successful on the merits in defense of the proceeding or in defense of any claim, issue, or matter therein. Expenses shall include any attorney's fees and any other expenses of establishing a right to indemnification.

The Association may indemnify any agent of the Association who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was an agent of the Association, against expenses actually and reasonably incurred in connection with such proceeding provided the approval requirements described in Section 2 of this Article have been satisfied.

For purposes of Sections 1 through 5 of this Article, the term "agent" means any present or former director, officer, employee, or other agent of the Association; the term "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and the term "expenses" includes judgements[sic], fines, settlements or costs occurring in any proceeding other than a proceeding brought by or on behalf of the Association

Section 2. INDEMNIFICATION APPROVAL. Unless indemnification is required as provided in Section 1 of this Article, indemnification shall be made only if authorized in the specific case on a determination that indemnification is proper in the circumstances because the agent satisfied the appropriate standard of care described in Section 3 of this Article. The determination must be made by one of the following methods: (i) A majority vote of a quorum of the Board consisting of Directors who are not parties to the proceeding; (ii) The affirmative vote of a majority of the voting power of the members entitled to vote at a duly held members' meeting in which a quorum was present, provided that if the agent to be indemnified is a member, the agent shall not be entitled to vote; (iii) The court in which such proceeding is or was pending on application made by the Association or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application is opposed by the Association.

Notwithstanding the foregoing, any indemnification in any proceeding brought by or behalf of the Association shall be subject to the restrictions contained in California Corporation Code Section 7237(c).

Section 3. STANDARD OF CARE. In any proceeding brought by or on behalf of the Association the applicable standard of care shall require that the agent acted in good faith, in a manner the agent believed to be in the best interests of the Association and with care, including reasonable inquiry, that an ordinarily prudent person in like position would use under similar circumstances. In all other proceedings, the agent must have acted in good faith, in a manner the agent believed to be in the best interests of the Association and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

Section 4. ADVANCEMENT OF EXPENSES. On approval by the Board, expenses incurred in defending any proceeding may be advanced by the Association prior to the final disposition of the proceeding, provided the Association receives an undertaking by or on behalf of the agent that the advances will be repaid unless it is ultimately determined that the agent was entitled to indemnification as required or authorized by these By-Laws.

Section 5. INSURANCE. The Association shall have the power to purchase and maintain insurance on behalf of its agents, against any liability asserted against or incurred by any 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 Sections 1 through 4 of this Article.

ARTICLE X

Damage, destruction, condemnation

Section 1. IN GENERAL. In the event of any damage or destruction, whether resulting from an insured casualty, uninsured casualty or a partial taking in eminent domain proceedings of the property or any portion thereof or the common furnishings other than by ordinary wear and tear, the Association shall, subject to the provisions of

Section 2 of this Article, forthwith cause such damage or destruction to be repaid and shall use any available insurance or condemnation proceeds for such purpose. If the damage is not covered by condemnation proceeds or by insurance proceeds, or if the available insurance or condemnation proceeds are insufficient, the Association shall, subject to the provisions of Section 2 of this Article and the next succeeding sentence, levy a special assessment against the Owners for the amount required to meet the cost or such repair or restoration.

In the event the damage or destruction was caused by the intentional or negligent act or omission of an Owner or designated user or guest, the cost of such repair or the amount of such deficiency shall be a personal charge and payable by such Owner.

Section 2. EXTENSIVE DAMAGE OR DESTRUCTION. In the event the amount of the special assessment which is required to be levied pursuant to Section 1 above shall exceed 5% of the budgeted maintenance assessments for that fiscal year, such special assessment shall not be levied unless a simple majority of Owners, other than the Developer, shall approve such special assessment. If such special assessment is not so approved within 180 days following the date of such damage or destruction, this declaration shall be terminated effective upon the recordation of a Certificate of Termination executed by the President or a Vice-President and the Secretary or Treasurer of the Association stating that the declaration has been terminated in accordance with the provisions of the declaration, and any Owner shall thereafter have the right to maintain an action for sale in lieu of partition as to the entire property and any proceeds or condemnation proceeds received as a result of such damage or destruction shall be distributed.

Section 3. TRUSTEE. All insurance proceeds payable under this Article shall be paid to a trustee, to be held and expended for the benefit of the Owners, mortgagees and others as their respective interests shall appear. The agreement establishing such trust arrangement shall provide that the trustee shall apply all proceeds as provided in this declaration. Such trustee shall be a commercial bank or branch thereof, or a commercial adjusting company, doing business in the County of Tulare, which has agreed in writing to accept such trust.

ARTICLE XI Miscellaneous

Section 1. RECORD DATE. The Board of Directors may fix a time in the future as a record date for the determination of the members entitled to notice of and to vote at any meeting of members. The record date so fixed shall not be more than sixty (60) days prior to the date of the meeting. When a record date is fixed, only members of record on that date shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of an undivided interest after the record date.

Section 2. INSPECTION OF RECORDS. A list of record of members, including mailing addresses and telephone numbers, the accounting records and minutes of proceedings of the members, and the Board of Directors and the Executive Committee and all other committees, if any, shall be open to inspection and copying upon the written demand of any member, or his duly appointed representative, at any reasonable

time, at the office of the Association and for a purpose reasonably related to his interests as a member.

A member desiring inspection shall give written notice at least forty-eight (48) hours in advance. The custodian shall make the records available during normal business days from 10:00 a.m. to noon and 2:00 p.m. to 4:00 p.m. Photocopying charges shall be set by the Board at a reasonable rate but not less than ~~\$.20~~ \$.10¹ per page which shall be paid in cash. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents. The foregoing inspection and copying rights may be denied to any member upon his refusal to furnish the Association an affidavit that such inspection is not desired for any purpose not related to his interest in the Association as a member.

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. ANNUAL ACCOUNTING. An annual report and account, including a statement of income and expenses, shall be sent to the members not later than ninety (90) days after the close of the Association's fiscal year.

Section 5. EXECUTION OF CONTRACTS. The Board of Directors, except as may be otherwise provided in these By-Laws, 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. The officers of the Association shall not incur any debt in excess of \$10,000.00 without the approval of the Board of Directors. The Association shall not incur any debt in excess of \$25,000.00 for the purchase of real or personal property, the issuance of bonds or debentures, or the mortgage of any of its property, nor acquire real or personal property by purchase, nor lease, convey, sell, assign, transfer, mortgage, or otherwise encumber, nor dedicate for public use any real or personal property owned by it without complying with the provisions of the Declarations of Covenants, Conditions and Restrictions. All checks in excess of \$1,000.00 are to be signed by two officers of this corporation or their designee.

Section 7. INSPECTION OF BY-LAWS. The Association shall keep in its principal office for the transaction of business the original or a copy of the By-Laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the members at all reasonable times.

Section 8. RULES AND REGULATIONS. The Board shall promulgate and enforce rules and regulations to promote the smooth operation of and harmony among the members of the Association. A member shall be entitled to a copy of such rules and regulations upon request. The Board shall inform members of changes or additions to the rules and regulations. Such rules and regulations shall provide, among others, the following:

- a. There shall be no "For Sale" signs of any size posted anywhere on the premises except that the Developer is exempt from this restriction.
- b. No member (or the member's associate members or guest) shall remain on the premises for more than thirty (30) days without a minimum of a one week break. Cabins may be reserved for no longer than two weeks duration with one week required between reserved periods. No owner or designated user shall be permitted, either through reserved use periods, space available use, or by any other method to establish permanent residence on the property except that Developer hereby reserves unto itself the exclusive use of 203 and 204 Main Street for its use for a period of twenty-five years from the date of this Declaration.
- c. No member (or member's associate members or guests shall occupy more than one cabin or campsite.
- d. Each member shall be limited to a maximum number of guests per year.
- e. The Board may determine reasonable fees to be charged guests for riding horses.
- f. Pets will be allowed only in the RV campground area. Pets must be kept leashed and under control all times. Any pet causing a nuisance will be required to be removed from the ranch.
- g. Each cabin shall be designated for use by up to two (2) unrelated families consisted of members, their associate members and their guests, as determined necessary by the Association.

Section 9. CONFLICTS. In the event of any inconsistency between these By-Laws and the Articles, the Articles shall control, and in the event of any inconsistency between these By-Laws or the Articles and the Declaration, the Declaration shall control,

ARTICLE XII Amendments

Except as provided by law or the articles of incorporation, these By-Laws may be amended by the affirmative vote or written assent of the Board of Directors representing a majority of a quorum where such amendment would not materially and adversely affect the rights of the members. In all other instances these By-Laws may be amended only after the vote or written assent of the members representing both (a) a bare majority of the total voting power of the association; and (b) a bare majority of the votes of members other than the developer.

The percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause or provision.

ARTICLE XIII
Existing Facilities

R-RANCH IN THE SEQUOIAS consists of 750 acres, more or less, of real property along with certain substantial improvements. With the exception of those improvements built by the Developer, all other improvements were constructed by the original logging town in the 1930's. These improvements have been restored by the Developer in a manner consistent with their original construction. Existing materials were used extensively wherever possible to retain the original flavor of the logging town.

Restoration of buildings have been in accord with Tulare County building permits and inspections, however, the restoration is not to new building standards.

I certify that:

1. I am the Secretary of R-RANCH IN THE SEQUOIAS OWNERS' ASSOCIATION.
2. The attached By-Laws are the By-Laws of the Corporation approved by the Board of Directors on March 30, 1989.

Dated April 18, 1989.

_____/s/_____

1. Changed per Board decision on October 17, 1998