

BY-LAWS  
OF  
HIDDEN VALLEY HOMEOWNERS' ASSOCIATION

ARTICLE I

NAME AND LOCATION. The name of the Association is Hidden Valley Homeowners' Association. The principal office of the Association shall be located at Post Office Box 648, Monterey, California.

ARTICLE II

Definitions

As used herein the following terms shall have the following meanings:

Section 1. "Association" means Hidden Valley Homeowners' Association, a nonprofit, unincorporated association, its successors and assigns.

Section 2. "Architectural control committee" or "committee" means the architectural control committee established in Article VI, Section 1 of the Declaration of Covenants, Conditions and Restrictions of Hidden Valley Subdivision, its successors and assigns.

Section 3. "Subdivision" means all of the property described in that certain final subdivision map of the Hidden Valley subdivision recorded March 6 1980 in Book 8 of Maps, Page 99, Official Records of San Benito county.

Section 4. "Subdivision map" means the final subdivision map hereinafter referred to.

Section 5. "Lot" means any of the numbered and dimensioned residential lots or parcels shown on the subdivision map.

Section 6. "Owner" or "lot owner" means the holder or holders of record fee title to any lot, including contract sellers, but excluding those having such title merely as security for the performance of an obligation.

Section 7. "Open space area" means the real property so designated on the subdivision map.

Section 8. "Recreational area" means the real property so designated on the subdivision map.

Section 9. “Equestrian trail” means the real property so designated on the subdivision map.

Section 10. “Roads” means all roads within the subdivision as shown on the subdivision map.

Section 11. “Common area” means the open space area, the recreational area, the equestrian trails and the roads.

Section 12. “Member” means a member of the Association as hereinafter defined and provided.

Section 13. “Covenants” means the Declaration of Covenants, Conditions and Restriction of Hidden Valley Subdivision.

Section 14. “Subdivider” means Hidden Valley Partnership, which is now the record owner of the subdivision.

Section 15. “Declarant” means Hidden Valley Partnership, the present owner of the subdivision.

### ARTICLE III

#### Meetings of Members

Section 1. Regular Meetings. The first regular meeting of members shall be held within 6 months after the sale of the first lot by the subdivider, but not later than 45 days after 28 lots have been sold. Subsequent regular meetings shall be held once a year. Such regular annual meetings of the members shall be held on the same day of the same month of each year as the initial meeting, at the hour of 8:00 p.m. If the day of the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the members may be called at any time by a majority of a quorum of the Board of Directors or upon written request of members entitled to vote for at least 15 lots. So long as the subdivider owns one or more lots, such written request may be made by members entitled to vote for not less than 9 lots other than those owned by the subdivider.

Section 3. Place of Meetings. Regular and special meetings shall be held within the subdivision unless the Board of Directors determines that a larger meeting place than is available within the subdivision is necessary comfortably to accommodate the meeting, in which event said meeting shall be held as close to the subdivision as possible at such place within San Benito County (preferably in Hollister) as the Board of

Directors shall designate. Unless unusual conditions exist, members' meetings shall not be held outside of the county in which the subdivision is situated.

Section 4. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 but not more than 30 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. A copy of the notice shall be posted at the recreational area.

Section 5. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, 25% of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Association, the Covenants, or these By-laws. If such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time to a date not less than 5 days nor more than 30 days from the date of the original meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented.

Section 6. Proxies. At all meetings of members, each member entitled to vote may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

Section 7. Voting. Each lot shall have one vote. When more than one person holds an ownership interest in any lot, the vote for that lot shall be cast by the member specified in the current written designation furnished by the co-owners of the lot to the secretary of the Association.

## ARTICLE IV

### Board of Directors: Selection: Term of Office

Section 1. Number and Selection. The affairs of this Association shall be managed by a Board of 5 Directors, who shall be members of the Association.

Section 2. Term of Office. The normal term of office of each director shall be two years.

Section 3. Election of Directors. All directors shall be elected by the members at their first regular meeting. Two of such directors shall be elected for a one-year term and three for a two-year term. All directors thereafter elected shall be elected for two-year terms.

So long as the subdivider owns 28 or more lots, 1 of the initially elected directors and 1 of the directors thereafter elected shall be elected solely by the members entitled to vote for the other lots.

All voting on the election of directors shall be by secret written ballot. Cumulative voting shall *not* be permitted. *Note: This paragraph was amended on 9/20/01 by the addition of the word "not".*

Section 4. Removal and Vacancies. Unless the entire Board is removed from office by the vote of Association members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal is greater than the quotient arrived at by dividing the total number of votes that may be cast under cumulative voting procedures by a divisor equal to one plus the authorized number of directors. Any director may be removed from the Board, with or without cause, by a majority vote of the members entitled to vote on the election of such a director. Thus, directors elected solely by members other than the subdivider may only be removed by such members; other directors may be removed by the total membership (including the subdivider) entitled to vote.

In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board who were elected by the same class of members and shall serve for the unexpired term of his predecessor.

Section 5. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 6. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

## ARTICLE V

### Nomination of Directors

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be member of the Board of Directors, and two members entitled to vote for the director being nominated. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

## ARTICLE VI

### Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such place and hour as may be fixed from time to time by resolution of the Board; provided, however, that the Board may from time to time by resolution change the interval between its regular meetings to any interval not less than 6 months, if it determines that the business to be transacted by the Board does not justify more frequent meetings. Should any regular meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the board of Directors shall be held when called by the president of the Association, or by any two directors, other than the president, after not less than three days' notice to each director. The notice shall specify the nature of the business to be considered at the meeting.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Place of Meetings. All regular and special meeting shall be held within the subdivision.

Section 5. Notice to Members. The time and place of regular meetings, as changed from time to time, shall be posted at the recreation area. Notice of special meetings shall also be posted at the recreational area not less than 3 days prior to the date of the meeting.

Section 6. Open Meetings. All meetings of the Board of Directors shall be open to members, but members shall not participate in the deliberations or discussions, unless so authorized by a majority vote of the directors present. The board, by a majority vote of the directors present, may adjourn any meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation and similar confidential business, provided the nature of the business to be considered is first announced in open session.

## ARTICLE VII

### Powers and Duties of the Board of Directors

Section 1. Powers. The Board of Directors shall have power to:

(a) Adopt and publish rules and regulations governing the use of the common areas and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof and of the terms and conditions of the Covenants;

(b) Suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 30 days for infraction of published rules and regulations or any term of condition of the Covenants;

(c) Pay all taxes on the Association's property or any common area or facility;

(d) Prepare budgets and financial statements;

(e) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three consecutive regular meetings of the Board of Directors;

(f) Employ a manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties; and

(g) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Association, or the Covenants.

Section 2. Limitations. Notwithstanding the powers set out above, the Board shall be prohibited from taking any of the following actions, except with the vote of or written assent of a majority of the voting power of the Association residing in members other than the subdivider:

(1) Entering into a contract with a third person wherein the third person will furnish goods or services for the common area or the owners' Association for a term longer than one year with the following exceptions:

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

(B) 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 terms of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

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

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

(4) Paying compensation to members of the governing body or to officers of the Association for services performed in the conduct of the Association's business provided, however, that the governing body may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

Section 3. Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept and made available to members and directors as hereinafter provided, financial reports and other records;

(b) Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) As more fully provided in the Covenants, to:

(1) Fix the amount of the annual assessment against each lot at least sixty days in advance of each annual assessment period;

(2) Send written notice of each assessment to every owner subject thereto at least thirty days in advance of each annual assessment period; and

(3) Foreclose the lien against any property for which assessments are not paid within thirty days after due date or to bring an action at law against the owner personally obligated to pay the same.

(d) As more fully provided in the Covenants, to advise the members of the need for any special assessments and the proposed amount thereof and, upon approval of the same by the members, fix, levy and enforce such assessments;

(e) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(f) Procure and maintain adequate liability and hazard insurance on property owned by the Association;

(g) Cause all officers or employees having fiscal responsibility to be bonded, as it may deem appropriate;

(h) Cause the common areas to be preserved, maintained and improved; and

(i) Perform for the Association all duties vested in or delegated to this Association and not reserved to the membership by other provisions of these By-laws, the Articles of Association or the Covenants.

## ARTICLE VIII

### Financial Reports and Records

Section 1. Periodic Financial Statements. The Board of Directors shall cause to be prepared and distributed to all members;

(a) Financial statements for the Association shall be regularly prepared and distributed to all members regardless of the number of members or the amount of assets of the Association as follows:

- (1) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than 60 days before the beginning of the fiscal year.
- (2) A balance sheet – as of an 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 subdivision – and an operating statement for the period from the date of the 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 number of the subdivision interest and the name of the entity assessed.
- (3) An annual report consisting of the following shall be distributed within 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) Any information required to be reported under Section 8322 of the Corporations Code.

(b) The annual report referred to in (a) (3) above shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds \$75,000.

(c) If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

Section 3. Books of Account. The Board of Directors shall cause to be kept and prepared books of account of all its financial dealings.

Section 4. Membership Register and Voting Roster. The secretary of the Association shall keep and prepare a current register of all members of the Association, showing for each member, the member's names and the address to which notices are to be sent to such member.

The secretary shall also keep and prepare a current voting roster, which shall show the names of all members entitled to vote (excluding from such roster co-owners of each lot who have authorized another co-owner to vote for such lot and excluding members whose voting rights have been suspended by the Board of Directors), the lot for which each such member is entitled to vote and the address to which notices, proxies and other voting materials are to be sent to each such member.

Section 5. Availability of Records. All financial reports, books of account and other accounting records of the Association and all books and records of the Association, including minutes of all meetings, shall be available for inspection and copying by directors.

Such records shall also be made available to any member, or his duly appointed representative, upon three days notice to the secretary or treasurer of the Association.

## ARTICLE IX

### Officers and Their Duties

Section 1.     Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2.     Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3.     Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4.     Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5.     Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.     Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7.     Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8.     Duties. The duties of the officers are as follows:

#### President

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

### Vice-President

(b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

### Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the seal of the Association and affix it to all papers requiring said seal; serve notice of meetings of the Board and of the members; keep the membership register and the voting roster; and shall perform such other duties as required by the Board.

### Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account and shall perform such other duties as required by the Board.

## ARTICLE IX

### Committees

The Association shall appoint an Architectural Control Committee, as provided in the Covenants, and a Nominating Committee, as provided in these By-laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

## ARTICLE X

### Assessments

As more fully provided in the Covenants, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within 30 days after the due date, the assessment shall bear interest from the date of delinquency at the rate of 9 percent per annum or such other rate as may be specified by the Board of Directors, and the Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No

owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the common area or abandonment of his lot.

ARTICLE XI

Amendments

Section 1. By-laws. These By-laws may be amended, at a regular or special meeting of the members, by a vote of fifty-one percent of the members entitled to vote, including a vote of a majority of the members, other than the subdivider, entitled to vote.

Section 2. In the case of any conflict between the Articles of Association and these By-laws, the Articles shall control; and in case of any conflict between the Covenants and these By-laws, the Covenants shall control.

ARTICLE XII

Miscellaneous

The fiscal year of the Association shall begin on the 1<sup>st</sup> day of January and end on the 31<sup>st</sup> day of December of every year, except that the first fiscal year shall begin on the date of the formation of the Association.

IN WITNESS WHEREOF, we, being all of the directors of the Hidden Valley Homeowners' Association, have hereunto set our hands on this 10<sup>th</sup> day of March, 1980.

Signed \_\_\_\_\_  
Roy R. Woods

Signed \_\_\_\_\_  
Dewey L. Carpenter