

BY-LAWS  
OF  
PALISADES CANYON HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

Section 1. Name and Location. The name of the corporation is PALISADES CANYON HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the corporation shall be located at the Project in the County of San Bernardino, State of California.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to PALISADES CANYON HOMEOWNERS ASSOCIATION, its successors and assigns.

Section 2. "Project" shall mean and refer to that certain real property located in the County of San Bernardino and more particularly described as Lots 64 through 122, inclusive, of Tract 8437 as shown on a Map recorded in Book 121, Pages 29 to 33, inclusive, of the Maps in the Office of the County Recorder for said County, together with any additional property which may be annexed thereto pursuant to the Declaration of Restrictions.

Section 3. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, or the purchaser under a conditional sales contract, of the fee simple title to any Lot which is a part of the Project, but excluding those holding an interest in a Lot merely as security for the performance of an obligation.

Section 4. "Common Area" shall mean and refer to all that certain real property more particularly described in the Declaration of Restrictions which shall be owned by the Association for the common use and enjoyment of the Owners.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Project with the exception of the Common Area.

Section 6. "Declarant" shall mean and refer to C S & M INCORPORATED, a California corporation, and to CHINO HILLS, a joint venture, and to their respective successors and assigns if such successors and assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7. "Declaration" shall mean and refer to the Declaration of Restrictions applicable to the Project which has been or will be recorded in the Office of the County Recorder of San Bernardino County, State of California on 9/13/77, in Book 9261 at Pages 1604 to 1666, inclusive.

Section 8. "Member" shall mean and refer to every person or entity who holds membership in the Association as more particularly set forth in Article III hereinbelow.

Section 9. "County" shall mean and refer to the County of San Bernardino.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every person or entity who or which is an Owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in any Lot in the Project merely as security for the performance of an obligation.

Section 2. Voting Rights. The Association shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners in the Project, with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant, and shall be entitled to three (3) votes for each Lot owned in the Project upon which Declarant is then paying the appropriate monthly assessments provided for hereinbelow. The Class B Membership shall cease and be converted to Class A membership upon the happening of any of the following events; whichever occurs earliest:

A. When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;

B. The second anniversary of the original issuance of the most recently issued Public Report for a phase of the Project; or

C. On the fourth anniversary of the original issuance of the Public Report for the first phase of the Project.

At such time when the Class B membership shall cease and be converted to Class A membership, any and all provisions herein and in the Declaration requiring the approval of both classes of members or of the voting power of the Association shall be understood and construed to require the approval of the Class A members only.

Section 3. Transfer. The Association membership held by any Owner of a Lot shall not be transferred, pledged, or alienated in any way, except upon the sale or encumbrance of such Lot. In the event of such sale or encumbrance, the Association membership may only be transferred, pledged, or alienated to a bona fide purchaser of the Lot, or to the mortgagee (or third-party purchaser) of such Lot upon a foreclosure sale. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association.

Section 4. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the secretary before the appointed time for each meeting. Every proxy shall be revocable

and shall automatically cease upon the conveyance by the member of his Lot.

#### ARTICLE IV

##### MEETING OF MEMBERS

Section 1. Organizational and Annual Meetings. Regular meetings of Members of the Association shall be held not less frequently than once each calendar year at the time and place prescribed by these By-Laws. The first meeting of the Association, whether a regular or special meeting, shall be held within forty-five (45) days after the closing of the sale of the Lot which represents the ~~first~~ percentile interest authorized for sale under the Public Report for this Project, but in no event shall the meeting be held later than six (6) months after the closing of the sale of the first Lot. At such meetings, there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Article V of these By-Laws. The Members may also transact such other business of the Association as may properly come before them.

Section 2. Special Meetings. A special meeting of the Members of the Association shall be promptly called by the President or any Director upon:

- (a) The vote for such meeting by a majority of a quorum of the Board of Directors; or
- (b) Receipt of a written request therefor signed by Members representing not less than twenty-five percent (25%) of the total voting power of the Association or by Members representing not less than fifteen per-

cent (15%) of the voting power residing in Members other than the Declarant.

No business shall be transacted at a special meeting except as stated in the notice unless by consent of a quorum of the Owners present, either in person or by proxy.

Section 3. 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 by first class mail, postage prepaid. Except in emergency situations, at least ten (10) days notice of any such meeting shall be provided 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.

Section 4. Quorum. The presence in person or by proxy of ~~Owners, holding at least thirty-one percent (31%)~~ of the votes of each class of membership shall constitute a quorum for the transaction of business at all meetings. 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 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 such a meeting shall be at least twenty-five percent (25%) of the total voting power of the Association, present in

person or by proxy.

Section 5. Action By Unanimous Consent Without Meeting.

Any action required or permitted to be taken by the Association at a meeting may be taken without a meeting if all of the Members of the Association, individually or collectively, shall assent to such action. Any action so taken shall have the same force and effect as though taken at a meeting of the Association.

Section 6. Meetings of the Members. The meetings of

the Members shall be held at the Project, or as close thereto as may be designated by the Board of Directors.

ARTICLE V

BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE

Section 1. Number and Qualification of Directors.

The affairs of the Association shall be managed by a Board of Directors consisting of five (5) Directors, who need not be Members of the Association so long as the Class B membership shall exist. Thereafter, the Board of Directors shall consist only of Members who are in good standing with the Association.

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Section 2. Election and Term of Office. At the first annual meeting of the Association, the Members shall elect the Directors as provided herein. The term of office of each of the Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of one (1) year. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 3. Removal. At any regular or special meeting

duly called, any one or more of the Directors may be removed with or without cause as provided herein, and a successor may then and there be elected to fill the vacancy so created. Unless the entire Board of Directors 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 1 plus the authorized number of Directors. A Director who has been elected to office solely by the votes of Members of the Association other than the Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than the Declarant.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each Director so elected shall serve until a successor is elected at the next annual meeting of the Association.

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



ARTICLE VI

NOMINATION AND ELECTION 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 a member of the Board of Directors, and two or more Members of the Association. 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, and such appointment shall be announced at each 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 fewer than the number of vacancies that are to be filled. Nominations may be made from among Members or non-Members so long as the Class B membership exists. Thereafter, nominations shall only be made from among Members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is permitted. Notwithstanding any other provision herein or in any other document regarding this Project to the contrary, in the event an election of the Board of Directors shall be held at a time when the Owners

other than the Declarant do not have votes sufficient to assure the election by said Owners of at least one (1) Director, then Declarant shall be permitted to select, by vote, a maximum of four (4) Directors, and the Owners, other than the Declarant, shall vote for the selection of the remaining Director.

## ARTICLE VII

### MEETINGS OF DIRECTORS

Section 1. Regular and Special Meetings. Regular meetings of the Board of Directors shall be held monthly, and on such day and at such hour as may be fixed from time to time by resolution of the Board. Should said 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. Notice of the time and place of a regular meeting shall be given to each Director, personally or by mail or telephone, and shall be posted at a prominent place or places within the Common Area, at least three (3) days prior to the day scheduled for said meeting. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by two (2) Directors, after not less than three (3) days' notice to each Director. The notice shall specify the time and place of the meeting and the nature of any special business to be transacted. Notice of a special meeting shall be sent to all Directors and posted as prescribed for notice of regular meetings. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Association Members who are not on the Board may

not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, with the approval of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association 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 2. Meetings of Directors. The meetings of the Directors shall be held at the Project, or as close thereto as possible within the County of San Bernardino, State of California, as may be designated by the Board of Directors.

Section 3. Chairman; Conduct of Meetings. At the first meeting of the Board of Directors, a majority of a quorum of the Directors shall elect a Chairman of the Board to preside over all meetings of the Board held during the Board's term of office. In the event the Chairman shall be absent from any meeting, said meeting shall be presided over by such other Director as may be elected by a majority of a quorum of the Directors. The Secretary of the Association shall act as Secretary of the Board of Directors, but in the event the Secretary shall be absent, the Chairman or presiding Director may appoint any person to act as Secretary for the meeting.

Section 4. Quorum. A majority of the total 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.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

- (a) Exercise all powers, duties, and authority

vested in the Board by the California Corporations Code, except as otherwise limited in the Declaration of Restrictions;

(b) Exercise for the Association all powers, duties, and authority vested in or delegated to the Association by the Declaration of Restrictions and not reserved to the Membership by other provisions of these By-Laws or the Declaration of Restrictions;

(c) Adopt and publish rules and regulations governing the use of the Common Area and/or facilities, if any, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(d) Assess monetary penalties against a Member, and/or suspend said Member's voting rights and right to use the recreational facilities, if any, for the period during which any assessment against said Member's Lot remains unpaid after notice and hearing given and had, and for a period not to exceed thirty (30) days after notice and hearing given and had for any infraction of the Association's published rules and regulations;

(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 (3) consecutive regular meetings of the Board of Directors.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) Perform any and all duties imposed on the members of the Board, individually or collectively, by law, by the Declaration of Restrictions, by the Articles of Incorporation, or by these By-Laws;

(b) Appoint and remove, employ and discharge, and, except as otherwise provided in these By-Laws, prescribe the duties and fix the compensation, if any, of all agents and employees of the Association;

(c) Supervise all officers, agents, and employees of the Association, to assure that their duties are properly performed;

(d) Meet at such times and places as required by these By-Laws;

(e) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(f) As more fully provided in the Declaration of Restrictions:

(1) Determine the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) Send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period;  
and

(3) Declare any assessment not paid within ten (10) days after the due date thereof to be delinquent and pursue collection of said assessment pursuant to the remedies for non-payment of assessments as set forth in the Declaration of Restrictions; and

(g) Cause financial statements for the Association to be regularly prepared and copies 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 sixty (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 (6) months from the date of closing of the first sale of a Lot and an operating statement for the period from the date of the first closing to the said accounting date, 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 number of the Lot, and the name of the person or entity assessed.

(3) A balance sheet as of the last day of the Association's fiscal year and an operating statement for said fiscal year shall be distribu-

ted within ninety (90) days after the close of the fiscal year.

An external audit by an independent certified public accountant shall be required for fiscal year financial statements (other than budgets) for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00).

## ARTICLE IX

### OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a President, Vice-President, Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors.

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 the Association shall be elected annually by the Board and each shall hold office for one (1) 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 at any time with or without cause by a majority of the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at such later time specified therein, and unless otherwise 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. Duties of the officers are as follows:

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

(b) Vice-President: The Vice-President shall act in the place and stead of the President in the event

of the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; shall sign all contracts, leases, or other instruments executed in the name of or on behalf of the Association; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board.

(d) Treasurer: 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; cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year as provided for in the Declaration of Restrictions; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Section 9. Compensation of Officers. No Officer shall receive any compensation for services performed to the Associa-

tion, provided however, that an Officer may be reimbursed for his actual expenses incurred in the performance of his duties.

## ARTICLE X

### COMMITTEES

Section 1. The Association shall appoint an Architectural Committee, as provided in the Declaration, 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 XI

### INSPECTION OF BOOKS AND RECORDS

Section 1. The membership register, books of account and minutes of meetings of the members, of the Board of Directors, and of any and all committees shall be made available for inspection and copying by any member of the Association, or by his duly-appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

Section 2. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the member desiring to make the inspection.

(b) Hours and days of the week when such an inspection may be made.

(c) Payment of the cost of reproducing copies of documents requested by a member.

Section 3. 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.

## ARTICLE XII

### AMENDMENTS

Section 1. So long as the two-class voting structure provided for herein shall remain in effect, these By-Laws may be amended only by the vote or written assent of fifty-one percent (51%) of the voting power of each class of members. At such time as the Class B membership shall cease and be converted to Class A membership, amendments to these By-Laws shall be enacted by requiring the vote or written assent of:

- (1) Two thirds (2/3) of a quorum of the members of the Association; and
- (2) Fifty-one percent (51%) of the votes of members other than the Declarant.

Notwithstanding the foregoing, the percentage of a quorum of the members or of the votes of members other than the