

BY-LAWS  
OF  
CERRO VERDE HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

Section 1. Name and Location. The name of the corporation is CERRO VERDE HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the corporation shall be located in the City of Yorba Linda, Orange County, California, and meetings of the Members and Directors shall be held at the subdivision or as close thereto as practicable as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

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

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Restrictions.

Section 3. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of the fee

simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 4. "Common Area" shall mean all real property to be conveyed to the Association prior to the sale of the first Lot within the Project pursuant to the Declaration.

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

Section 6. "Declarant" shall mean and refer to CREATIVE COMMUNITIES, a California corporation, its 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 Properties recorded in the Office of the County Recorder of Orange County, State of California on September 10, 1975, in Book 11508 at Pages 1408 to 1455, inclusive.

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in Article III hereof.

### ARTICLE III

#### MEMBERSHIP AND VOTING RIGHTS

Section 1. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to, and may not be separated from owner-

ship of, any Lot.

Section 2. The Association shall have two classes of voting membership as follows:

Class A. Class A Members shall be all Owners 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 any phase of this development as set out in the Declaration. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

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

B. Two (2) years from the date of the issuance of the original Public Report for the development; or

C. On January 1, 1978.

## ARTICLE IV

### MEETING OF MEMBERS

Section 1. Organizational and Annual Meetings. The first annual meeting of the Association shall be held not later than six (6) months after sale of the first Lot in the Project. Thereafter the annual meetings of the Association shall be held during the same month as the first annual meeting. At such meetings there shall be elected by ballot of the Owners a Board of Directors in accordance with the requirements of Article V of these By-Laws. The Owners may also transact such other business of the Association as may properly come before them.

Section 2. Special Meetings. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition to the Secretary signed by Members who are entitled to vote one-fourth (1/4) of all the votes of the Class A membership. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5) 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, at least ten (10) days but not more than thirty (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.

Section 4. Quorum. The presence in person or by proxy of Lot Owners holding at least fifty percent (50%) of the votes of each class of membership shall constitute a quorum for the transaction of business, except as otherwise provided in the Articles of Incorporation, the Declaration of Restrictions, or these By-Laws. If any meeting cannot be held because a quorum is not present, the Owners present, either by person or by proxy, may, as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be at least twenty-five percent (25%) of each class of membership.

Section 5. Proxies. At all meetings of Members, each Member 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 this Lot.

#### ARTICLE V

##### BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of five (5) Directors, who need

not be Members of the Association so long as the Class B membership shall exist. Thereafter the Board shall consist only of Members who are in good standing with the Association.

Section 2. Election and Term of Office. At the first annual meeting of the Association, 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. There shall be cumulative voting for the election of officers.

Section 3. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining Members of the Board and shall serve until the next election. Cumulative voting is permitted both for removal and selecting successors.

Section 4. 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 5. Action by Unanimous Written Consent Without Meeting. Any action required or permitted to be taken by the Board of Directors under any provision of law may be taken without a meeting, if all Members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board. Such action by written consent

shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed under any provision of law which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting and that the By-Laws of this corporation authorize the Directors to so act, and such statement shall be prima facie evidence of such authority.

## 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 less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members so long as the Class B membership exists. Thereafter, nominations shall only be made 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 five (5) persons receiving the largest number of votes shall be elected. Cumulative voting is permitted. Provided, however, that notwithstanding anything else 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 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 fifth Director.

## ARTICLE VII

### MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place, day and hour as may be fixed from time to time by resolution of the Boards. 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.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by two Directors, after not less than three (3) days notice to each Director.

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.

#### ARTICLE VIII

##### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

- (a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (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 or for infraction of published rules and regulations, such rights to be suspended only after notice and hearing given and had;
- (c) 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 By-Laws, the Articles of Incorporation, or the Declaration;
- (d) 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;

(e) employ a manager, independent contractor, or such employees as they deem necessary, and to prescribe their duties;

(f) contract and pay for maintenance, gardening, utilities, materials and supplies and services relating to the Common Area and/or facility, and to employ personnel reasonably necessary for the operation of the same, including lawyers and accountants where appropriate; provided, however, that no contract shall be for a period longer than one (1) year;

(g) pay taxes and special assessments which are or would become a lien on the Project or Common Area;

(h) where appropriate (and subject to the terms of the Declaration regarding destruction), to pay for reconstruction of any portion or portions of the Project damaged or destroyed which are to be rebuilt; and

(i) enter into any Lot when necessary in connection with maintenance or construction for which the Board of Directors is responsible.

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

(a) 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;

(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 Declaration to:

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

(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) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

(d) issue, or cause an agent or 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 for the issuance of these certificates. If a certificate states an assessment has been paid, such certificates shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) cause the Common Areas to be maintained.

## ARTICLE IX

### OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. 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 (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 the Board. Any officer may resign at any time 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, 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. The duties of the officers are as follows:

(a) President: 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 cosign 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 his 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 and of the Members; shall sign all contracts, leases or other instruments executed

in the name of or on behalf of the corporation; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their address, and shall perform such other duties as required by the Board; and

(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 public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

## ARTICLE X

### COMMITTEES

The Association shall appoint an Architectural Control 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 purpose.

## ARTICLE XI

### BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

## ARTICLE XII

### ASSESSMENTS

As more fully provided in Article VI of the Declaration, which article is incorporated herein by reference as if fully set forth, 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 thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of ten per cent (10%) per annum, 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 XIII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: CERRO VERDE HOMEOWNERS ASSOCIATION.

ARTICLE XIV

AMENDMENTS

Section 1. The By-Laws, and every part thereof, may from time to time at any time, be amended, altered, repealed, and new or additional By-Laws may be adopted by the vote of a majority of each class of a quorum of Members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XV

MISCELLANEOUS

Section 1. The fiscal year of the Administration shall begin on the first day of July and end on the 30th day of June of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. Except as otherwise provided by law, checks and promissory notes, drafts, orders for the payment of



money and other evidence of indebtedness of the corporation shall be signed by the Treasurer and countersigned by the President. Any contract, lease, or other instrument executed in the name of and on behalf of the corporation shall be signed by the Secretary and countersigned by the President.



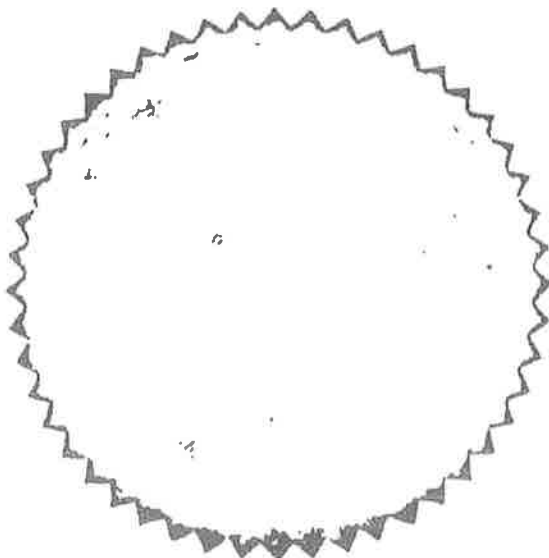
**OFFICE OF THE  
SECRETARY OF STATE**

I, **MARCH FONG EU**, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the RECORD on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute  
this certificate and affix the Great  
Seal of the State of California this

JUL 23 1975



*March Fong Eu*

Secretary of State

745052

ENDORSED  
FILED

In the office of the Secretary of State  
of the State of California

JUL 13 1976

ARTICLES OF INCORPORATION

MARCH FUNG EU, Secretary of State

OF

By DILL HOLDEN

Deputy

CERRO VERDE HOMEOWNERS ASSOCIATION

FIRST: The name of this corporation (hereinafter referred to as the "Association") is CERRO VERDE HOMEOWNERS ASSOCIATION.

SECOND: That the purposes for which the Association is formed are:

(a) The specific and primary purposes for which the Association is formed are to provide for the maintenance, preservation and architectural control of the planned unit development located in the State of California, County of Orange, City of Yorba Linda, described as:

Lots 1 to 46, inclusive, and Lot "A" of Tract No. 8315 in the City of Yorba Linda, County of Orange, State of California.

(b) The general purposes and powers are:

(1) To promote the health, safety and welfare of the residents within the above-described property;

(2) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association arising from any Declaration, covenant or restriction applicable to the

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above-described property;

(3) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

(4) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(5) To borrow money, and with the assent of the Members, as evidenced by an affirmative vote of two-thirds (2/3) of each class of Members, mortgage, pledge, deed in trust, or personal property as security for money borrowed or debts incurred;

(6) To have and to exercise any and all powers, rights and privileges which a corporation organized under the General Nonprofit Corporation Law of the State of California by law may now or hereafter have or exercise;

(7) To act in the capacity of principal, agent, joint venturer, or partner, or otherwise;

(8) Dedicate, sell or transfer all of or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of each class of members, agreeing to such dedication, sale or transfer; and

(9) Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, or annex additional residential property and Common Area, provided that any merger, consolidation, or such annexation shall have the assent by vote of two-thirds (2/3) of each class of members or by the written assent of all of the members.

The foregoing statement of purposes shall be construed as a statement both of purposes and powers, and purposes and powers in each clause shall be in no way limited or restricted by reference to or inference from the terms or provisions of any other clause, but shall be broadly construed as independent purposes and powers. Notwithstanding any of the above statements of purposes and powers, the Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of the Association.

THIRD: That this Association is organized pursuant to the General Nonprofit Corporation Law of the State of California and does not contemplate pecuniary gain or profit to the Mem-

bers thereof and it is organized for nonprofit purposes.

FOURTH: That the County in this State where the principal office for the transaction of the business of the Association is located is the County of Orange.

FIFTH: That the authorized number and qualifications of Members of the Association, the different classes of membership, if any, the property, voting and other rights and privileges of Members, and their liability for dues and assessments and the method of collection thereof, shall be as set forth in the By-Laws.

SIXTH: (a) The number of Directors of the Association shall be five (5);

(b) The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

<u>NAME</u>	<u>ADDRESS</u>
WILLIAM A. ASHBY	7072 Garfield Huntington Beach, California
RICHARD K. ASHBY	7072 Garfield Huntington Beach, California
LARRY REDMAN	7072 Garfield Huntington Beach, California
WILLIAM C. HOLZWARTH	888 North Main Street Santa Ana, California
PAULA MANCHESTER	888 North Main Street Santa Ana, California

(c) The Directors shall serve without compensation and no Director shall receive any pecuniary benefit as a direct result of being a Director of the Association.

(d) The powers of the Association shall be exercised, its property controlled and its affairs conducted by the Board of Directors, except as set forth in the By-Laws.

SEVENTH: That the Association is not organized, nor shall it be operated for pecuniary gain or profit, and it does not contemplate the distribution of gains, profits or dividends to the Members thereof and it is organized solely for nonprofit purposes.

EIGHTH: Neither the Directors nor the Members of the Association shall be personally liable for the debts, liabilities or obligations of the corporation.

NINTH: Upon the winding up and dissolution of the Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets shall be distributed to a nonprofit fund, foundation or corporation, which is organized and operated exclusively for charitable, educational and/or scientific purposes and which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code; if the Association holds any assets in trust, such assets shall be disposed of in such manner as may be directed by decree of the Superior Court of the County in which the Association's principal office is located, upon petition therefor by the Attorney General or by any person concerned in the liquidation.

TENTH: Notwithstanding any other provision in these Articles of Incorporation, the Association shall be subject to the following limitations and restrictions:

MAINTENANCE ITEM	Association	Owner
Termite Inspection		X
Termites (garage)		X
Termites (interior)		X
Termites (exterior)		X
Thresholds		X
T.V. Reception		X
Utility Doors		X
Utilities (water, electrical, lighting and other necessary services for the Common Area, and to the extent supplied, for the individual Lots - i.e., if not separately metered)	X	
Walkways/Patios on Common Area	X	
Walkways/Patios on Owner's Lot		X
Water Heater		X
Weatherstripping		X
Window Glass		X
Window Screens		X
Wood Siding (replace, repair unless caused by negligence or neglect of Association)		X