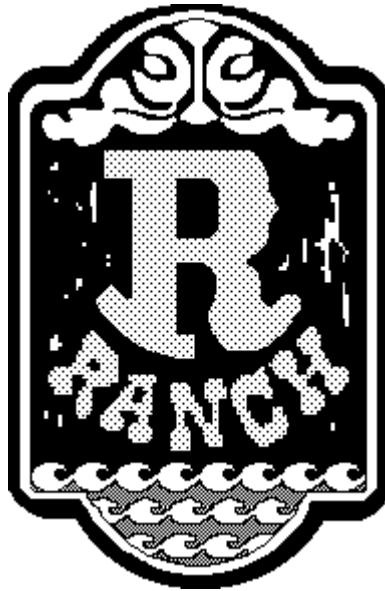


DECLARATION OF COVENANTS,  
CONDITIONS AND RESTRICTIONS

AND THE BY-LAWS

OF



RANCH

OWNERS' ASSOCIATION

MAY 1985

**SECOND AMENDMENT OF  
DECLARATION OF COVENANTS,  
CONDITIONS AND RESTRICTIONS  
FOR  
R-WILD HORSE RANCH**

The undersigned, JEFF DENNIS, doing business as R-WILD HORSE RANCH, (hereinafter referred to as "Developer" herein), the successor in interest to WORLD LAND AND INVESTMENT COMPANY, a corporation, being the owner of more than seventy-five percent (75%) of the lots in that certain real 'Property situated in the County of Tehama, State of California, and herein described in Exhibit "A" hereafter attached, does hereby declare its intent to amend that certain "AMENDMENT OF DECLARATION OF RESTRICTIONS, COVENANTS AND CONTROL FOR WILD HORSE MESA", recorded February 13, 1973, in Book 614 of Official Records of Tehama County, California, at page 254, and by these presents does here by amend said DECLARATION OF RESTRICTIONS s that the same shall state and provide in full as follows:

**RECITALS**

1. Developer is the owner of a certain tract of land located in the County of Tehama, State of California, generally known and described as R-WILD HORSE RANCH, which property is hereinafter referred to as "R-WILD HORSE RANCH", and which real property is described in Exhibit A attached hereto and by reference incorporated and made a part hereof.

2. Developer desires to create in R-WILD HORSE RANCH a recreational community with open spaces, recreational and other common facilities for the benefit of the said community, and Developer desires to provide for the preservation of the values and amenities in R-WILD HORSE RANCH and for the maintenance of the said open spaces, recreational and other common facilities; and to that end Developer has deemed it desirable, for the efficient preservation of the values and amenities in said community, to provide for creation of an owners' association to which shall be delegated and assigned the powers of maintaining and administering the said open spaces, recreational and other common facilities and the power of enforcing the covenants and restrictions, of collecting and disbursing the assessments and charges therefor, and of enforcing the rules and regulations approved b the members of the Association.

3. Developer contemplates the sale and conveyance of undivided interests in R-WILD HORSE RANCH and desires to subject all of R-WILD HORSE RANCH to certain covenants, conditions, restrictions, servitudes and easements for the protection and benefit of Developer and future owners of undivided interests in R-WILD HORSE RANCH.

**DEFINITIONS:**

In addition to other definitions provided for herein, as used herein, the following terms shall have the following meanings:

1. "Association" means the R-WILD HORSE RANCH OWNERS ASSOCIATION, a California non-profit mutual benefit corporation.
2. "Common Furnishings" means all furniture, furnishings, appliances, fixtures and equipment, livestock and all other personal property from time to time owned, leased or held for use by the Association and which are located in or upon the Property. Developer may maintain from time to time certain items of personal property, equipment, livestock, furniture, furnishings, appliances and fixtures on the R-WILD HORSE RANCH property. Such items shall not be deemed, nor shall they become, part of the common furnishings of R-WILD HORSE RANCH.
3. "Declaration" means this instrument, as this instrument may be amended from time to time, in the manner herein provided.
4. "Deed" means each initial grant deed recorded after the date hereof by which Declarant conveys an interest.
5. "Designated User" means the person designated by an Owner as the only person authorized to have the benefit of the rights of use and enjoyment of the Property appurtenant to that Owner's interest as further defined in 4 of this Declaration.
6. "GUEST" means any person or persons invited onto the Property by a Designated User. No Guest shall enter onto or remain on the Property unless the Designated User who invited the Guest is also present on the Property. The Association shall establish a reasonable limit on the number of Guests that a Designated User may invite onto the Property at any one time.
7. "Interest" means an Owner's ownership interest in the Property, consisting of 1/2890 undivided fractional interest as tenant-in-common in the Property, subject to the use restrictions contained herein.
8. "Mortgagee" means the (a) beneficiary of a recorded deed of trust or the holder of a recorded mortgage encumbering any interest or (b) the successor(s) to each person named in clause (a). "Mortgage" means a mortgage, deed of trust, or other security interest.
9. "Owner" means any person or entity that is the grantee of a Deed of an Interest, or any successor to any such person or entity.
10. "Property" means that real property set forth in Exhibit A, and any improvements thereon, and any additions there to or deletions therefrom.
11. "Purchase Agreement" means an agreement between declarant, and other person(s) or entity(ies) named therein as "Buyer" (Purchaser) for the purchase and sale of an interest which contemplates the conveyance of such Interest by Deed.
12. "Rules and Regulations" means the rules and regulations adopted and promulgated from time to time pursuant to subparagraph 5 of this Declaration relating to the possession, use and enjoyment of the Property.
13. "Unit" means each of the residential facilities constructed or to be constructed on the Property; including all of the cottages and the campsites.
14. "Use Period" means the time period or periods during which a Designated User has reserved the use of a Unit either in accordance with the reservation procedures or on a space-available basis as set forth in this declaration and the Rules and Regulations.

**DECLARATIONS:**

Developer hereby certifies, declares and establishes the following general plan for R-WILD HORSE RANCH and hereby fixes the following covenants, conditions, restrictions, servitudes and easements which shall constitute covenants running with the land as set forth in Paragraph 14 hereof, upon each and every undivided ownership interest in R-WILD HORSE RANCH under which restrictions, Covenants, servitudes and easements, each and every undivided interest in R-WILD HORSE RANCH shall be hereafter held, used, occupied, sold and/or conveyed. Each and all such restrictions, covenants, servitudes and easements shall inure to the benefit of, be binding upon and pass with R-WILD HORSE RANCH, and each and every undivided interest therein, and shall inure to the benefit of, apply to, and bind Developer and his respective successors in title or interest.

Such restrictions, covenants, conditions, servitude and easements are:

1. R-WILD HORSE RANCH OWNERS' ASSOCIATION. Developer has, at his cost and expense, formed a non-profit mutual benefit corporation known as "R-WILD HORSE RANCH OWNERS' ASSOCIATION" which has the powers, rights and duties hereinafter set forth. There shall be one membership in R-WILD HORSE RANCH OWNERS' ASSOCIATION, herein called "the Association" for each undivided 1/2890 interest in R-WILD HORSE RANCH, which membership shall be appurtenant to the land. All of such memberships shall initially be the property of the Developer or his successors in interest and shall pass to the respective purchasers of such undivided interests at the time of execution of contracts for the purchase thereof by the purchasers thereof and on recordation of the deed granting purchaser a 1/2890 interest, and the transfer of title to each respective undivided 1/2890 interest automatically transferring the membership rights appurtenant thereto. Each member shall be obligated promptly, fully and faithfully to comply with the Articles of Incorporation and by-laws of R-WILD HORSE RANCH OWNERS' ASSOCIATION, and the rules and regulations of the Association from time to time prescribed thereunder by its directors, and shall promptly pay all dues, fees or assessments levied by the Association.

2. POWERS OF R-WILD HORSE RANCH OWNERS' ASSOCIATION. The administration, operation, maintenance, repair and restoration of the Property, and the common furnishings, and any alterations and additions thereto, shall be the responsibility of the Association. The Association, acting alone in its sole and absolute discretion (through its Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Association's Articles of Incorporation, the Bylaws and this Declaration, exercise any and all rights and power hereinafter enumerated and, except as specifically limited herein, all the rights and powers of a non-profit mutual benefit corporation under the laws of the State of California.

The management, maintenance and repair of the Property, the acquisition (by purchase or lease), maintenance, repair and replacement of the Common furnishings, the administration of all matters relating to the use and occupancy of the Property and Units, and payment, as agent, of expenses and costs enumerated in this Declaration shall be under the direction and control of the Association. The Association shall have the duty to maintain, and repair the Property, to acquire (by lease or purchase), maintain, repair, and dispose of Common furnishings as needed, to administer the operations described herein and to levy, collect and enforce the assessments enumerated in this Declaration. The Association shall have the exclusive possession of each Unit at all times when not occupied, for the performance of maintenance and repairs on such Unit. The Association shall have the power to do all things that are required to be done by it pursuant to this Declaration, either through itself or through the delegation of its powers to committees, officers, or employees of the Association without limitation of the foregoing powers and duties, the Association is expressly authorized in its sole discretion and on behalf of the owners to do any or all of the following:

- (a) Shall have the sole and exclusive right and duty to manage, operate, control, repair, replace or restore all of the improvements, common furnishings, trees, shrubbery, plants and grass on R-WILD HORSE RANCH at their discretion. Shall have the power to contract for goods and/or services for R-WILD HORSE RANCH Common Areas, facilities, and interests subject to the limitations provided herein. "Common Furnishings" means all furniture, furnishings, appliances, fixtures and equipment, livestock and all other personal property from time to time owned, leased or held for use by the Association and which are located in or upon the Property. Developer may maintain from time to time certain items of personal property, equipment, livestock, furniture, furnishings, appliances and fixtures, on the R-WILD HORSE RANCH property. Such items shall not be deemed, nor shall they become, part of the common furnishings of R-WILD HORSE RANCH.
- (b) Shall levy and collect fees, dues and assessments from its members.
- (c) Shall establish and maintain a reserve fund for these and other purposes.
- (d) Shall care for open space areas in R-WILD HORSE RANCH and remove and destroy any noxious weeds, underbrush, rodents and any unsightly or obnoxious thing therefor, and all other things and perform any labor necessary or desirable to keep and maintain said open spaces and the land contiguous and adjacent thereto neat and in good order.
- (e) To pay taxes and assessments, if any, levied by any governmental authority on property owned by the Association and by its members collectively, or on any Association transactions subject to tax in the normal course of business.
- (f) Shall enforce covenants, conditions, restrictions, charges, Articles of Incorporation, by-laws and rules and regulations existing upon and created for the benefit of R-WILD HORSE RANCH or the owners thereof, and shall pay all expenses incidental thereto, shall enforce the decisions and rulings of the Association and pay all of the expenses in connection therewith;
- (g) Shall provide for the maintenance of the ranch buildings, cabins, pools, tennis courts, campgrounds, stables, corrals, arena and riding facilities, and other community features which may be constructed on the land set aside for the recreational use of the members of the Association, and improve, light, provide for, beautify and maintain private roads and driveways, parks and other open spaces, including all grass plots, park strips, and other planted areas and trees and shrubs in and bordering upon R-WILD HORSE RANCH as shall be maintained for the general use of its members.
- (h) Shall provide for public liability insurance and such other insurance, including cross-liability provisions, as the Directors of the Association deem necessary to protect, reasonably, the Association and its members including, but not limited to errors and omissions insurance for officers and directors of the Association.
- (i) Shall adopt, amend, publish and enforce rules and regulations covering the possession, use and enjoyment of all of R-WILD HORSE RANCH and the facilities under its control or management.
- (j) May do any and all lawful things which may be advisable, proper, authorized or permitted to be done by the Association under and by virtue of any condition, covenant, restriction, reservation, charge, or assessment affecting R-WILD HORSE RANCH, or

- any portion thereof, and to do and perform any and all acts which may be either necessary for or incidental to the exercise of any of the foregoing powers, or for the peace, health, comfort, safety, or general welfare of its members.
- (k) May expend the monies collected by the Association from the assessments or charges and other sums received by the Association for the payment and discharge of all proper costs, mortgage or deed of trust payments, expenses and obligations incurred by the Association in carrying out any or all of the purposes for which the Association is formed.
  - (l) Shall be entitled to receive all notices, claims and demands relative to taxes and assessments affecting the R-WILD HORSE RANCH; and by accepting title to an undivided interest in R-WILD HORSE RANCH, the purchaser thereof thereby waives his right to receive such notices, and designates the Association as his exclusive agent for receipt of such notices, claims or demands.
  - (m) Shall operate and maintain the water supply system and sewer system for R-WILD HORSE RANCH.
  - (n) May, without limitation of its general powers, contract with others for the maintenance, operation, construction or reconstruction of R-WILD HORSE RANCH or any improvements thereon.
  - (o) Subject to the written consent therefor from fifty one percent (51%) of all members, and fifty-one percent (51%) of all members other than Developer, may borrow money, may mortgage, pledge, deed in trust, or hypothecate any or all of its real property as security for money borrowed or debts incurred.
  - (p) Subject to the limitations set forth in this general paragraph may do any and all things that a corporation organized under the laws of the State of California may lawfully do, and generally may do and perform any and all other acts which may be either necessary for, or proper or incidental to, the exercise of any of the foregoing powers, and such powers as are granted by the provisions of the laws of the State of California to a corporation.
  - (q) May acquire by gift, purchase, or otherwise may own, hold, enjoy, operate, maintain, and may convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real or personal property in connection with the business of the Association; provided, however, the Association shall not acquire real property by purchase or lease without first obtaining the written consent therefor from sixty-six and two-thirds percent (66-2/3%) of all members, and sixty-six and two thirds percent (66-2/3%) of all members other than Developer.
  - (r) Shall, upon the affirmative vote of sixty-six and two thirds percent (66-2/3%) of the members entitled to vote on this issue, and subject to the following provisions, have the right and power to sell and convey all or any portion of R-WILD HORSE RANCH. This power of sale is further subject to the following provisions:
    - (1) Developer shall be excluded from voting on the issue of a sale of R-WILD HORSE RANCH or any portion thereof by the Association until Developer has sold and conveyed at least seventy-five percent (75%) of the undivided interests in R-WILD HORSE RANCH, or until January 1, 1987, whichever is sooner.
    - (2) Notwithstanding the provisions of Paragraph 12 of these Covenants, Conditions and Restrictions, this paragraph (r) may not be amended until January 1, 1987, or until Developer has sold and conveyed at least seventy five percent (75%) of the undivided interests in R-WILD HORSE RANCH, whichever is sooner.
    - (3) This right and power of sale shall not be exercised prior to January 1, 1987, unless Developer shall have sold and conveyed at least thirty-three and one third percent (33-1/3%) of the undivided interests in R-WILD HORSE RANCH.
    - (4) If sixty-six and two-thirds percent (66-2/3%) of the members entitled to vote on this issue shall have voted affirmatively or shall have given their written consent to sell all or any portion of R-WILD HORSE RANCH, and the other provisions hereof have been met, then the directors of the Association shall direct the officers of the Association to effect such sale, and to do all acts and execute and deliver all documents necessary, appropriate and convenient in order to do so.
    - (5) If, by a vote of the members entitled to vote on this issue in the manner and subject to the provisions hereof, the association shall have determined to sell all or any portion of R-WILD HORSE RANCH, then any two officers of the Association shall execute and file for record in the Official Records of Tehama County, indexed as power of attorney, a certificate stating that the terms hereof have been complied with, and that they are thereby authorized and directed to execute and deliver any and all deeds, contracts, documents, and instruments necessary, appropriate or convenient to effect the sale of all or a portion of R-WILD HORSE RANCH. Recordation of such certificate shall constitute conclusive evidence that any two of the officers of the Association are authorized, directed and empowered to execute and deliver any deed, contract, document or instrument necessary to effect the transfer of title to all or a portion of R-WILD HORSE RANCH.
    - (6) By accepting title to an undivided interest in RWILD HORSE RANCH, the purchaser thereof, for himself and his successors in interest, hereby makes, constitutes and appoints each of the officers of the Association and each of their successors in interest who shall then hold office at the time of execution of the certificate referred to in subparagraph (5) above his true and lawful agent and attorney for and in his name, place and stead, and for his use and benefit to effect any sale of all or any portion of R-WILD HORSE RANCH, and to do all acts and execute and deliver any certificate, deed, contract, document, or instrument necessary, appropriate or convenient to effect the transfer of title to all or any portion of R-WILD HORSE RANCH, or otherwise to carry out the purposes and intent hereof.
    - (7) The right and power to sell and convey all or any portion of R-WILD HORSE RANCH may be exercised at anytime, from and after the date hereof, upon the affirmative vote of 100% of the members of the Association including the vote by the Developer.
    - (8) By accepting title to an undivided interest each owner and their successors in interest, absolutely waive the right to partition the real property in kind and waive the right to seek partition for the purpose of a sale of the real property, or any portion of it unless the bringing of a suit for partition has been approved by the vote or written agreement of the same percentage of ownership interest in the subdivision as outlined herein above under the provisions of this general paragraph, for sale and conveyance of all or any portion of R-WILD HORSE RANCH.
  - (s) At any reasonable time, upon giving reasonable notice if a Unit is occupied, to enter the Unit for the purpose of cleaning, and, if unoccupied, for the purposes of painting, maintenance, and repair, and to enter upon and within any Unit, at any reasonable time, whether or not in the presence of a Designated User, for the purpose of (i) making emergency repairs therein, (ii) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Unit, (iii) protecting property rights and the welfare of the other Owners or Designated Users, or (iv) for any other purpose reasonably

related to the performance by the Association of its responsibilities under the terms of this Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and/or enjoyment by the occupant of such Unit and shall be preceded by reasonable notice to the occupant thereof, whenever the circumstances permit.

(f) Notwithstanding the powers of the Association as set forth above, neither the Association, nor any agent as the delegate of the Association's power and duties shall enter into a contract with a third person or entity whereby such person or entity will furnish goods or services for the Property for a term longer than one (1) year unless authorized by a simple majority of Owners, except for:

- (a) Any contract approved by the California Department of Real Estate prior to the issuance of the initial Final Subdivision Public Report for the Property.
- (b) A contract with a public utility company if the rates charged for the materials or services are regulated by the State of California; provided, however, that the term 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 not to exceed three year duration provided that the policy permits short-rate cancellation by the insured.
- (d) Leases of Common Furnishings to the Association.

Further, the Association shall not, without the vote or written assent of a simple majority of Owners other than Declarant:

- (i) Incur aggregate expenditures for capital improvements to the Property in any fiscal year in excess of five percent (5%) of the budgeted gross Maintenance Expenses for that fiscal year; or
- (ii) Selling during any fiscal year property owned by the Association having an aggregate fair market value in excess of five percent (5%) of the budgeted gross Maintenance Expenses for that fiscal year.
- (iii) 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.
- (iv) Filling of a vacancy on the Board created by the removal of a Board member.

3. PROVISIONS FOR COSTS OF MAINTENANCE AND OPERATION. Developer has constructed improvements and recreational facilities upon portions of RWILD HORSE RANCH, which improvements and facilities provide community facilities for the owners of the undivided interests in the entire R-WILD HORSE RANCH. The expenses of maintaining and operating said recreational area and the improvements and facilities thereon shall be borne proportionally by all owners of undivided interests in R-WILD HORSE RANCH, including the Developer or his successors in interest. Declarant for each undivided interest owned, hereby covenants, and every Owner, by acceptance of a deed for an interest in the subdivision is deemed to covenant to pay the Association the following assessments. On a calendar year basis, an assessment for each interest shall be determined by dividing the total budgeted amounts for Expenses by the total number of Interests held by all Owners and Declarant. The initial regular Assessment for each Interest not held by the Declarant shall be prorated as of the date of the close of escrow pursuant to the Purchase Agreement by which the Interest is purchased. The Board shall be authorized to increase the regular assessment annually as it deems prudent and necessary, provided that no such increase which exceeds twenty percent (20%) of the previous fiscal year's regular assessments, and which is not attributable to increases in the real property taxation on the property, shall be levied without the vote or written assent of a simple majority of Owners other than Declarant. Developer shall pay all actual costs of operating and maintaining the grounds and facilities, pay all real property taxes, and provide all necessary goods and services for R-WILD HORSE RANCH until a period of time ending December 31, 1985. In connection with such covenant Developer shall execute an agreement of Subsidization and shall furnish a bond to secure its undertaking. Regular assessments against all subdivision interests shall thereafter commence as provided herein upon the first day of January 1986. Voting rights in the Association shall not vest until the close of escrow of the voting undivided interest. If the regular Assessments are, or will become, inadequate to meet all expenses incurred by the Association of capital expenditures to be made by the Association hereunder, or for any other reason, including nonpayment of any Owner of Assessments on a current basis, the Association shall immediately determine the approximate amount of such inadequacy, prepare and distribute a supplemental budget and levy against each Owner and Declarant, as to Interests deemed owned by it, a special assessment (the "Special Assessment") in an amount sufficient to provide for such inadequacy; provided, however, that without the vote or written assent of a simple majority of Owners other than Declarant, Special Assessments shall not, in the aggregate, exceed five percent (5%) of budgeted gross Expenses for the applicable fiscal year. Any Special Assessment shall be payable in one lump sum or periodically, as determined by the Association, and shall be payable within fifteen (15) days after receipt of a statement therefor. All assessments shall be a charge upon the land and shall be a lien upon the property against which the assessments are levied.

#### 4. USE OF RANCH.

- (a) "Designated User" means the person designated by an Owner as the only person authorized to have the benefit of the rights of use and enjoyment of the Property appurtenant to that Owner's interest. There shall be only one Designated User for each Interest and no person shall be the Designated User for more than one Interest at any particular time. An Owner may designate himself or herself as the Designated User for an Interest. If the Designated User is married, his or her spouse and minor children (that is, children under twenty-six (26) years of age) shall also have the benefit of the Owner's rights. If the Designated User is not married, he or she may designate one other member of his/her household who, along with the minor children of either the Designated User or such other designated adult who are also members of such household, shall also have the benefit of the Owner's rights. All of the above described designation shall be in writing, in a form approved by the Association. The Association shall be authorized to impose reasonable limitations on the frequency of changes of all such designations.
- (b) The entire R-WILD HORSE RANCH shall be used solely for ranching, grazing, hiking, camping, horseback riding, fishing, swimming, sports and other recreational uses authorized by the Association.
- (c) No above-ground or underground structure or fixture of any kind or nature and no fences of any kind shall be created, maintained, or permitted upon any portion of R-WILD HORSE RANCH, excepting only the perimeter fences, and any other structures or fixtures which are in place upon Developer's completion of improvements without prior written permission of the Board of Directors of the Association. No owner, guest, or person whomsoever shall place, store or keep or permit to be

placed, stored or kept, upon any portion of the R-WILD HORSE RANCH, any vehicle, personal property, or any building material or materials of any kind or nature without the prior permission of the Board of Directors of the Association.

- (d) A non-exclusive and reciprocal right and easement is reserved to the owners of each and every undivided interest in R-WILD HORSE RANCH to use and enjoy each and every portion of R-WILD HORSE RANCH for the purpose of hiking, horseback riding, fishing, swimming, sports and other recreational uses authorized by the Association. No owner of any undivided interest shall hinder or obstruct the use and enjoyment thereof by any other such owner or his guests for such recreational purposes.
  - (e) No portion of R-WILD HORSE RANCH shall be used in such manner as to obstruct or interfere with the enjoyment of owners of undivided interests in the real property, or annoy them by unreasonable noises or otherwise, nor shall any nuisance or immoral or illegal activity be committed or permitted to occur on R-WILD HORSE RANCH.
  - (f) The entire R-WILD HORSE RANCH shall be used solely for the purposes which do not provide for exemption or exceptions from the real property taxation laws of the State of California.
  - (g) No reservation for a use period longer than thirty (30) days duration for camping will be confirmed. 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.
  - (h) If any Designated User fails to vacate a Unit at the end of his Use Period, or otherwise uses or occupies a Unit during a period other than his Use Period, or prevents another Designated User (the "Detained User" from using or occupying a Unit during such Detained User's Use Period, such Designated User (the "Detaining User") shall be subject to any or all of the following remedies at the sole discretion of the Association: (a) be subject to termination of utility services to the Unit; (b) be subject to immediate removal, eviction or ejection from the Unit wrongfully occupied; (c) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection (to the extent that such notices may be waived under law); (d) be required to reimburse the Association and the Detained User for all costs and expenses incurred as a result of such conduct, including but not limited to costs of alternate accommodations, travel costs, court costs and reasonable attorney's fees incurred in connection with removing, evicting or ejecting the Detaining User from such Unit, and costs (including reasonable attorneys' fees) incurred in collecting such reimbursement(s), all of which costs may be assessed against the Detaining User's Owner as "Personal Charges"; (e) pay to the Detained User entitled to use the Unit during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth above, a sum equal to 200% of the fair rental value per day thereof for each day or portion thereof, including the day of surrender, during which the Detaining User prevents occupancy of the Unit; and (f) prohibit the Detaining User from subsequent use until all damages incurred are paid in full. By accepting any conveyance of an Interest, each Owner agrees that, in the event of a failure to vacate by his Designated User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy. The Association shall use reasonable efforts to attempt to remove such Detaining User from the Unit, and/or assist the Detained User in finding alternate accommodations during such holdover period and to secure, at the expense of the Association, alternate accommodations during such holdover period for any Detained User. The Association may, in its sole discretion deem it necessary to contract for a period greater than the actual period for which the use of a Unit is prevented, in order to secure alternate accommodations as set forth above. If a Designated User, by intentional or negligent act, renders a Unit uninhabitable for the subsequent Use Period(s); such Designated User shall be deemed a Detaining User and the foregoing provisions of this paragraph shall apply as if such Designated User or Guest shall be deemed to be the act of the Owner; provided, however, that such Owner shall be responsible for the payment of amounts on account of such acts by a Designated User or Guest only to the extent the same are not reimbursed by insurance. The Association may recover any sums due under this paragraph pursuant to the assessment and lien procedures set forth herein.
  - (i) No Owner or Designated User shall make or authorize any alterations, additions or improvements to a Unit or Common Furnishings; paint, repaint, tile, paper or otherwise refinish or redecorate any Unit which such owner may from time to time occupy; or remove, alter or replace any portion of the Common furnishings. The right to perform all of the foregoing acts has been delegated to the Association by this Declaration. The foregoing prohibitions, however, shall not modify or affect the obligation of each Designated User for the prudent care of all property subject to his use.
  - (j) Declarant, on behalf of itself, its agents, employees, contractors, subcontractors, invitees, successors, assigns and other authorized personnel reserves unto itself, for a period beginning with the first acceptance by an Owner of a Deed in the Property and continuing for ten (10) years from the issuance of the most recent California Department of Real Estate Final Subdivision Public Report for the Property, an exclusive easement in, over and through the Property, for the purposes of: (1) completing the development of the Property; (2) marketing and selling the Interests; (3) maintaining customer relations and providing post-sale service to Owners; (4) displaying signs and erecting, maintaining and operating, for sales, construction and administrative purposes, model Units and a customer relations, customer service and sales office complex located on the Property generally described as the lodge/bar/pool and 20-unit motel type facility together with the remodeled trailers for the sales managers and a temporary residence for the developer; (5) showing the Property and arranging for the use of any recreational facilities within the Property by prospective purchasers. Declarant shall exercise these easements reasonably, and so as to minimally affect the rights of other Owners and Designated Users. Declarant shall utilize the lodge/bar/pool and motel facility for sales purposes only so long as the initial 2890 undivided interests remain unsold or until 3 years from the issuance of the Final Report, whichever comes first. After such time any sales activities shall be conducted from the trailer units. Developer shall pay all actual costs of maintenance of such facilities, and such reserves as are set forth in the budget for such facilities, for the period of time such facilities are retained for the exclusive use of Developer.
  - (k) No person owning an interest shall sell, convey, hypothecate or encumber less than all of his interest. Any sale, conveyance, hypothecation or encumbrance by any such person of less than all of his interest shall be null, void and no effect.
  - (l) No owner or Designated User shall use or authorize use of the airstrip located on the R-WILD HORSE RANCH property. Such airstrip shall remain abandoned until such time as the Board of Directors shall vote to otherwise amend this section.
5. RULES. The Association may adopt such reasonable rules, not inconsistent with this declaration, as may be necessary or convenient to discharge the duties and responsibilities imposed upon them. Such regulations may, among other things, control any

activities which might otherwise detract from the appearance of R-WILD HORSE RANCH or offend or cause any inconvenience or danger to persons visiting therein. Such rules shall authorize the governing body (Board of Directors) to impose monetary penalties, temporary suspension of an owner's rights as a member of the Association, or other appropriate discipline for failure to comply with the governing instruments, provided that the accused is given notice and the opportunity to be heard by the Board as further provided in the by-laws with respect to the alleged violation before a decision to impose discipline is reached. Such rules may further provide for suspension of rights and privileges or for monetary penalties for violation of such rules, including, without limitation, the cost of correcting any violation thereof, provided that no suspension shall be effective for more than 90 days. Such rules shall further provide for arbitration if the Board proposes to purchase and/or require a member to sell his interest at fair market value.

6. BREACH. The result of every act or omission whereby any of the covenants contained herein are violated in whole or in part is hereby declared to be and constitute a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against such result and may be exercised by the Board of Directors, Developer, or his successors in interest.

7. LIABILITY AND LIENS. Each owner holds one fractional undivided interest in the Property for each Interest owned and the Declarant shall be deemed to be the holder of all fractional interests in the Property other than those held by Owners. Declarant, for each fractional interest held by it, hereby covenants and each Owner by accepting a Deed of an Interest, whether or not it shall be so expressed in the Purchase Agreement or Deed, shall be deemed to have covenanted and agreed, for each fractional interest held, to pay to the Association the regular Assessment, all special Assessments, and all other sums due, which shall be established, made and collected as hereinafter provided. In each instance wherein an owner of an undivided interest in R-WILD HORSE RANCH is made liable to the Association for an assessment, monetary penalty, or other sums due, pursuant to those restrictions and the implementation thereof, such liability shall be a personal liability of such owners. In the event such liability is not satisfied when due, it shall be and become delinquent and interest at the rate of twelve percent (12%) per annum and all costs, including a reasonable sum for attorney's fees, shall be added thereto. If such delinquency is not cured within ten (10) days after it becomes delinquent, the Association, to which such sum is owing may:

- (a) Have full power and authority to enforce compliance with this Declaration, the Bylaws and the Rules and Regulations of any manner provided for herein by law or in equity, including, without limitation, bringing (i) an action for damages; (ii) an action to enjoin any violation or specifically enforce the provisions of this Declaration, the Bylaws and the Rules and Regulations; and (iii) an action to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner. In the event the Association or any Owner(s) shall employ an attorney to enforce any provision(s) of this Declaration, the Bylaws or the Rules and Regulations against any Owner, the party engaging the attorney shall be entitled to recover from the Owner violating any such provision(s) reasonable attorneys fees and costs in addition to any other amounts as provided for herein. All sums payable hereunder by an Owner shall bear interest at twelve percent (12%) per annum (or such other rate of interest as the Board may from time to time establish) from the date due, or if advanced or incurred by the Association, or any other Owner pursuant to authorization contained in this Declaration, commencing ten (10) days after repayment is requested. All enforcement powers of the Association shall be cumulative. Each Owner by accepting a Deed shall be deemed to have covenanted and agreed that the Association shall have all of the rights, powers and remedies set forth in this paragraph 7 and elsewhere in this Declaration.
- (b) If any Owner or his Designated User shall be in breach of this Declaration, the Bylaws or the Rules and Regulations, including, but not limited to, the failure of such Owner to pay any Assessment on or before the due date thereof, subject to the limitations hereinafter in this subparagraph set forth, the Association may suspend the right of such Owner and his Designated User to use or occupy the Property or reserve any Unit and the right of such Owner to participate in any vote or other determination provided for therein. If such suspension of privileges is based on the failure of an Owner to pay Assessments or any other amount(s) due hereunder when due, the suspended privileges of, such Owner and his Designated User shall be reinstated automatically at such time as the Owner shall have paid to the Association, in cash or by cashier's or certified check, all amounts past-due as of the date of such reinstatement. If such suspension of privileges is based on any act or omission other than the failure of an Owner to pay assessments or any other amount(s) due hereunder when due, no suspension shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in the Bylaws for the noticing, calling and holding of a special meeting of the Board. Written notice of such meeting and the purpose thereof, including the reasons for the suspension sought, shall be given to the Owner and Designated User whose privileges are being sought to be suspended at least fifteen (15) days prior to the holding of such meeting. Such Owner and Designated User shall be entitled to appear at such meeting and present the case as to why such privileges should not be suspended. The decision as to whether such privileges should be suspended shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension and the reasons therefor shall be given to the suspended Owner and Designated User and the suspension shall become effective on the date such notice is given but not earlier than the fifth day following the date of such decision.
- (c) With respect to any delinquent assessment levied against an Owner's interest, may file for record in the office of the Tehama County Recorder and mail to the record owner at his last known address a notice of delinquency as to such undivided interest, which notice shall state all amounts which have become delinquent with respect to such undivided interest (including interest thereon at twelve percent (12%) per annum, fees and all costs of collection including reasonable attorney's fees), a description of the undivided interest in respect to which the delinquent payment is owed and the name of record of the reputed owner of such interest. Such notice shall be signed by an officer of the Association. In the event the delinquency is cured by full payment of all amounts due prior to the completion of sale held to foreclose the lien created thereby, the Association shall record a further notice, similarly executed, stating the satisfaction and releasing the lien.

Immediately upon recordation of a notice of delinquency, the amounts delinquent, as set forth in such notice, shall be and become a lien upon the undivided interest with respect to which such notice was recorded, which lien shall also secure all future liabilities of the Owner therefor which shall become due and payable with respect to such undivided interest following such recording. The lien shall continue until all amounts secured thereby are fully paid or satisfied, or, until the time of the Trustee Sale at the conclusion of the notice of delinquency and foreclosure at which time any proceeds of the sale shall first be applied to pay any and all sums due the Association. The lien shall be subordinate to the lien or charge of any bona fide first mortgage or first deed of trust made in good faith and for value on R-WILD HORSE RANCH, recorded prior to the date of the recording of the notice of delinquency referred to in this paragraph.

Such lien may be enforced by sale by the management body, its attorney or other person authorized to make the sale, after failure of the Owner to pay such an assessment in accordance with this agreement, such sale to be conducted in accordance with the provisions of Section 2924, 2924b and 2924c of the Civil code, applicable to the exercise of powers of sale and mortgages and deeds of trust, or in any other manner permitted by law. Unless otherwise provided in this Declaration of Covenants, Conditions and Restrictions, the management body shall have the power to bid on the undivided interest at the foreclosure sale and to hold, mortgage and convey the same. The certificate of sale shall be executed and acknowledged by any two members of the Board or by the person conducting the sale. A deed upon court foreclosure shall be executed in a like manner after the lapse of the period of redemption then required by the statute. Reasonable attorney's fees, court costs, title search fees, interest and all other costs and expenses reasonably incurred shall be allowed to the extent permitted by law. Monetary penalties referred to in this section shall not be enforced by any lien with power of sale.

A breach of covenants or restrictions contained herein shall not affect or impair the lien or charge of any bona fide mortgage or deed of trust made in good faith and for value on any undivided interest herein; however, any subsequent Owner of such property shall be bound by such covenants and restrictions, including assessments thereafter becoming due and liens resulting therefrom, whether such owner's title was acquired by foreclosure or deed in lieu of foreclosure or in a trustee's sale or otherwise. A bona fide mortgage or deed of trust holder, including the Developer, who acquires title to an undivided interest by foreclosure or trustee's sale shall not be obligated to pay any lien in favor of the Association which was subordinate to the mortgage or deed of trust and any such lien shall be extinguished.

8. **PAYMENT OF TAXES.** Association shall promptly pay all real and personal property taxes and assessments before they become delinquent, on behalf of the owners of the undivided interests in R-WILD HORSE RANCH, and shall bill each owner of an undivided interest at his last known address as shall be shown on the purchase agreement whereby the respective owners acquired their interests, or to such other addresses as such respective owners may subsequently notify Association for his proportionate share of the taxes and assessments.

9. **INDIVIDUALS TO OWN UNDIVIDED INTERESTS.** No undivided interest in R-WILD HORSE RANCH shall be owned by more than one person or other entity except as follows, and only subject to the following provisions:

- (a) A husband and wife may jointly own an undivided interest.
- (b) Developer may from time to time own an indefinite number of undivided interests. Developer's ownership may be by any form of business entity, and Developer may convey his right, title and interest to any form of business entity.
- (c) If legal title or an equitable interest is acquired by any corporation, partnership, or other entity, then such entity shall be entitled to have a membership in the Association issued to only one individual living person and only that individual's immediate family members shall be entitled to the privileges of Associate membership in the Association.
- (d) An interest may pass under the estate of a deceased person to more than one (1) person; provided, that only one (1) individual living person shall be entitled to have membership privileges in the Association derived from such undivided interest, and only the members of that individual's family shall be entitled to the privileges of associate membership in the Association.

10. **RIGHT OF ENTRY.** The Association, through its agents or employees, shall have the right to enter upon any portion of R-WILD HORSE RANCH to the extent such entry is necessary or convenient to carry out duties of the Association. Such right of entry shall be exercised in such manner as to interfere as little as reasonably possible with the possession and the enjoyment of the owners of R-WILD HORSE RANCH. In case of emergency, entry may be made at any time with only such notice as is reasonable under the circumstances.

11. **NO WAIVER.** A waiver of a breach of any of the foregoing conditions or restrictions, including the waiver of any right under Paragraph 7, shall not be construed as a waiver of any succeeding breach or violation, and no such waiver shall result in or impose any liability on Developer, or his successors in interest.

12. **AMENDMENTS.** Subject to the compliance with the Real Estate Law of the State of California, these Covenants, Conditions and Restrictions may be amended by vote or written assent of the members representing both:

- (a) A majority of the total voting power of the Association; and
- (b) A majority of the votes of members other than the Developer or its assigns.

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.

13. **SEVERABILITY.** Should any covenant or restriction contained herein be void or become unenforceable in law or equity, the remaining portions hereof shall remain in full force and effect.

14. **TERM.** These covenants, restrictions and agreements shall run with the land and shall continue in full force and effect until January 1, 2035, at which time the same shall be automatically extended for successive periods of ten (10) years, unless by a duly executed and recorded statement, the then owners of sixty-six and two



thirds percent (66-2/3%) or more of the undivided interests in R-WILD HORSE RANCH elect to terminate or amend said restrictions in whole or in part.

15. **EQUITABLE SERVITUDES.** The various and restrictive measures and provisions of this Declaration are declared to constitute mutual equitable covenants and servitudes for the protection and benefit of R-WILD HORSE RANCH and the owners thereof, and failure by the Developer or any other person or persons entitled to do so to enforce any measure or provision, upon violation thereof, shall not stop or prevent enforcement thereafter or be deemed a waiver of the right to do so.

16. **LAND SALE CONTRACTS.** Each grantee of a conveyance or purchaser under a contractor agreement of sale, by accepting a deed or a contract of sale or agreement of purchase, accepts the same subject to all of the covenants, restrictions, easements, and agreements set forth in this Declaration, and agrees to be bound by the same.

17. **ENFORCEMENT DELAY.** No delay or omission on the part of the Developer or his successors in interest or on the part of the owner or owners of any undivided interest in exercising any right, power or remedy herein provided, in the event of any breach of said conditions herein contained, shall be considered as a waiver thereof, or acquiescence therein.

18. **ENFORCEMENT OF BONDED OBLIGATIONS.** When improvements to Common Areas which are included in the subdivision offering have not been completed prior to the issuance of the public report and the Association is an obligee under a bond or other arrangement, hereinafter referred to as the "Bond", to secure performance of the commitment of the Declarant or other person to complete the improvements, the following provisions shall apply:

- (a) The Board is required to consider and vote on the question as to whether the Association shall enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion has not been filed within 60 days after the completion date specified for that improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing or the completion of any Common Area improvement, the Board is required to consider and vote on the question if a notice of completion has not been filed within thirty (30) days after the expiration of the extension.
- (b) If the Board fails to consider and vote on the question as to whether the Association shall enforce the obligation under the bond as set out in Subsection (a) above, or if the Board decides not to initiate action to enforce the obligations under the bond, Members representing not less than five percent (5%) of the total voting power of the Association's Members may demand such a meeting by presenting a petition signed by such Members to the Board or to the President or Secretary of the Association.

On receipt of such petition, the President or Secretary shall call a special meeting of the Members to be held not less than thirty-five (35) days or more than forty-five (45) days after receipt of the petition.

- (c) At the meeting called for in Subsection (b) above, the Members shall consider and vote on the questions that the Board is required to consider in Subsection (a) above.
- (d) If a majority of the voting power of the Association residing in Members other than the Declarant vote to take action to enforce the obligations under the Bond, that vote shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

IN WITNESS WHEREOF, the undersigned being the Developer herein, has executed this Declaration this 14 day of May, 1985.

R-WILD HORSE RANCH

By  
JEFF DENNIS  
Developer

**EXHIBIT A**

All that real property situated in the County of Tehama, State of California described as follows:

Parcel "A" of reversion to acreage of Tract 1001, Wild Horse Mesa Map filed December 14, 1984 in Book "V" of ' Maps at Pages 31 and 32 in the Office of the County Recorder of the County of Tehama, State of California.

EXCEPTING THEREFROM 25% of all oil, gas and mineral rights as contained in the deed to L. Matt Mathisen, recorded March 17, 1960 in Book 366 at Page 456, Official Records of Tehama County.

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**AMENDMENT TO  
BY-LAWS  
OF  
R-WILD HORSE RANCH  
OWNERS' ASSOCIATION**

The undersigned, being all of the Directors of R-WILD HORSE RANCH OWNERS' ASSOCIATION, acting at a meeting of such Board of Directors held on January 2, 1985, at the offices of Western Recreational Ranches in California, do elect to and do hereby amend the by-laws of R-WILD HORSE RANCH OWNERS ASSOCIATION so that the by-laws shall state and provide in full as follows:

**RECITALS**

Unless expressly indicated to the contrary, the terms defined in the Second Amendment of Declaration of Covenants, Conditions and restrictions for R-WILD HORSE RANCH (the "Declaration") shall have the same meaning when used in these by-laws as when used in the Declaration.

**ARTICLE I  
Identification**

Section 1. NAME. The name of this corporation is R-WILD HORSE RANCH 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 Tehama, 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 Tehama County, California, known and to be known generally and referred to herein as R-WILD HORSE RANCH.

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-WILD HORSE RANCH;
- (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-WILD HORSE RANCH, or for the benefit of the Association or its members, collectively;
- (c) To construct, maintain and operate recreational facilities of all kinds within R-WILD HORSE RANCH;
- (d) To maintain, rebuild, repair, beautify and otherwise care for all streets, roads and/or trails within R-WILD HORSE RANCH 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 a lien against the property subject thereto in accordance with the recorded restrictions of R-WILD HORSE RANCH;
- (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 reasonably necessary for the administration of its affairs including legal counsel and accountants;
- (j) To contract and pay premiums for fire, casualty, liability, owners' 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 of its purposes and objectives;
- (l) To operate and maintain a water supply and sewer system for R-WILD HORSE RANCH;
  - (m) To operate or lease the facilities owned by the members including but not limited to the snack bar, general store and club house;
- (n) To pay taxes and assessments, if any, levy 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-WILD HORSE RANCH;
- (r) To do all other acts necessary or expedient for the proper operation of R-WILD HORSE RANCH 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 interests in the real property comprising R-WILD HORSE RANCH and all persons who become owners thereof shall, by reason of such ownership, become and hereby are made members of the Association. The Developer of R-WILD HORSE RANCH shall be a member by reason of his ownership of unsold interests in R-WILD HORSE RANCH.

Members shall be limited to the owners of not less than an undivided one/two thousand eight hundred ninetieth (1/2890) interest in R-WILD HORSE RANCH. An undivided 1/2890 interest held by a 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 1/2890 interest in R-WILD HORSE RANCH 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 1/2890 interest in R-WILD HORSE RANCH 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 1/2890 interest in R-WILD HORSE RANCH owned by such member. The right to vote shall vest on recordation of the member's deed.

Section 3. ASSOCIATE MEMBERS. 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 meetings 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-WILD HORSE RANCH 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-WILD HORSE RANCH 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 Tehama County Recorder's Office, issued in connection with the ownership of an undivided interest in R-WILD HORSE RANCH. The Developer's membership in the Association shall be evidenced by the number of unsold undivided interests in R-WILD HORSE RANCH 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-WILD HORSE RANCH giving rise to such 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-WILD HORSE RANCH 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) owned 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.

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 Tehama County, California on the premises of R-WILD HORSE RANCH.

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-WILD HORSE RANCH have been sold by the Developer of R-WILD HORSE RANCH, or within six (6) months after the sale of the first undivided interest in R-WILD HORSE RANCH 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 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 meetings, and shall also state the general nature of the business or proposal to be considered or acted upon at such meeting.

Section 3. SPECIALMEETINGS-Special meetings of the members, for any purpose or purposes whatsoever, may be called at anytime 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 the 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 the vote of a majority of the voting power which is either present in person or represented by proxy thereat.

Any meeting, either annual or special, may be 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 or 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 the 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 state 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 the meeting.

Attendance of a member at 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 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 1/2890 interest in R-WILD HORSE RANCH 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 candidate's 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 754(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 amendment 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).

## **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; 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 judgment they may deem best;
- (d) to take such steps as may be necessary to 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 prepared and copies shall be distributed to each member of the Association as follows:
  - 1. A proforma operating statement (budget) for each fiscal year shall be distributed not less than forty-five (45) 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 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 the 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 ten 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.

- (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 a majority vote of the members, excluding the Developer. All special assessments shall be levied against all owners on the same basis as regular assessments except that a special assessment 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 except real property taxes and assessments may not be increased by the Board more than 20% over the regular assessment for the immediately preceding fiscal year unless a majority of the voting power of the Association residing in members other than the Developer agree by vote or written assent to the increase. The portion of the regular annual assessment attributable to real property taxes and assessments shall be determined according to the real property taxes and assessments anticipated to be due during the fiscal year.

Regular assessments against all interests in the development shall commence on the first day of the month following the closing of the sale of the first interest subject to payment of expenses by the Developer for the first six months after recordation of the declaration, 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 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;
  - (ii) 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;
  - (iii) Leases of common furnishings to the Association.
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 three 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 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 be made from among members or nonmembers.

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 of Directors 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 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 transaction of any meeting of the Board of Directors, however called and notice 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 on an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the Association records or made a 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 to 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 its 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 them 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 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 President's absence or disability.

The Vice-Presidents shall have such other powers and perform such other duties as may be prescribed for them respectively by the 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 1/2890 interests owned at R-WILD HORSE RANCH.

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 its 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, and President or these by-laws.

Section 8. COMPENSATION. Officers shall not receive any compensation for any service rendered to the Association as an officer, provided that any officer may be reimbursed for actual out-of-pocket expenses incurred in the performance of his or her duties.

## **ARTICLE VIII**

### **Discipline**

The Board shall adopt and publish all rules and regulations governing the use of R-WILD HORSE RANCH, 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-WILD HORSE RANCH, 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 Director's 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 on an arbitrator then either may petition the Tehama 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 judgments, 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 on 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 advance will be repaid unless it is ultimately determined that the agent was entitled to indemnification as required or authorized by these bylaws.

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 repaired 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 and Declarant for the amount required to meet the cost of 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 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 Tehama, which has agreed in writing to accept such trust.

## **ARTICLE XI**

## Miscellaneous

Section 1. RECORD DATE. The Board of Director 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 o 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, the accounting records and minute 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 not under suspension or in default on his assessments, 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 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 \$5,000.00 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 Declaration of Covenants, Conditions and Restrictions. All checks in excess of \$500.00 are to be signed by two officers of this corporation.

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 member 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 guests) shall remain on the premises for more than thirty days without a minimum of a one week break. The premises may never be used as a member's permanent residence. Day use is not restricted by this rule.
- 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. No pets may be kept in the cabin area. Domestic pets are allowed during day use only so long as they are on leash and are under the control of the owner.

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**

New by-laws may be adopted or these by-laws may be amended or repealed by the vote or written assent of at least a bare majority of a quorum, but not more than a bare majority of the voting power of the Association; and at least a bare majority of the vote of members other than the subdivider.

Notwithstanding the above, the percentage of a quorum or of the voting power of the Association or of members other than the subdivider necessary to amend a specific clause or provision in the Articles or by-laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Executed this 2nd day of January 1985.

## **CONSENT OF MEMBERS**

The undersigned, Jeff Dennis, dba R-WILD HORSE RANCH, being the owner of one hundred percent (100%) of the undivided interests in that certain subdivision known as "R-WILD HORSE RANCH" to each of which interests there are appurtenant memberships in R-WILD HORSE RANCH OWNERS' ASSOCIATION consisting one hundred percent (100%) thereof, does hereby consent to the amendment of the by-laws of R-WILD HORSE RANCH OWNERS' ASSOCIATION as set forth above.

Dated:

By  
JEFF DENNIS