

QUAILRIDGE RANCH ESTATES HOMEOWNERS ASSOCIATION RULES AND REGULATIONS

A California Nonprofit Mutual Benefit Corporation

The Board of Directors has adopted the following rules and regulations:

Article 1. ASSESSMENTS

Section 1.01 Charges

- a. A charge of \$25 will be added to the assessment for returned checks.
- b. A charge of \$25 will be placed on property transfers.
- c. A charge of \$25 will be added to the assessment due if a lien is placed on a lot.

Section 1.02 Liens

- a. A lien will be placed on a lot if any portion of the accrued Assessments Dues are more than two (2) years past due and totals to \$500.00 or more.
- b. A "Notice of Delinquent Assessments Lien" letter shall be prepared by the Board, or designee, which the said letter lists all lot owners per 1.02(a). The prepared letter shall be signed by all Board members, notarized, and then submitted to Tehama County of Records.
- c. An Assessment Lien lasts for 10yrs. The Board shall prepare subsequent Assessment Liens on a lot until all conditions under section 1.02(d) are complied with.
- d. The Board, within 30 days, shall prepare and submit a "Release of an Assessment Lien" to Tehama County of Records once the payment is received in the amount of all outstanding Assessment Dues up to the current fiscal year.

Section 1.03 Special Assessment: Fine Structure

Based on Section 7.08 of DC&R's, the Board may levy a Special Assessment, herein noted as a fine, against any Owner as a direct result of whose failure to comply with the DC&Rs.

Accordance to the Davis-Stirling Act Section 1363(f), when the Board is to meet to consider or impose a violation upon a member, the Board shall notify the member in

writing, by either personal delivery or first-class mail, at least 10 days prior to the meeting. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which a member may be disciplined, and a statement that the member has a right to attend and may address the Board at the meeting. The Board shall meet in executive session if requested by the member being disciplined.

If the Board imposes discipline on a member, the Board shall provide the member a written notification of the disciplinary action, by either personal delivery or first-class mail, within 15 days following the meeting. A disciplinary action shall not be effective against a member unless the Board fulfills the requirements of Davis-Stirling Act Section 1363(f) & (g).

The Board shall waive the fine if the Owner complies within 30 days of imposition of the fine. The Board may consider payment arrangements, but the Owner must contact the Board within 30-days of the written notice.

Fines may be increased for repeat violations per the Davis-Stirling Act. The increased amount is at the discretion of the Board, but not to exceed 50% of the last fine-amount. A maximum fine amount of the given Article's violation shall be levied if the violation is also in non-compliance with Section 2.17.

It is the Owner's responsibility to notify the Board when violation is remedied.

FINE STRUCTURE

Article 2, BASIC RESTRICTIONS:

Violation of Article 2, Section 2.01 – Section 2.06, 2.14, 2.16, & 2.17 of the DC&R's will result in a fine of at least \$25 per day and not more than \$100 per day per violation.

Violation of Article 2, Section 2.08 – Section 2.13 of the DC&Rs will result in a fine of \$50 per day and not more than \$100 per day per violation.

Violation of Article 2, Section 2.15 of the DC&Rs will result in a fine of \$50 per day and not more than \$100 per day per violation. In addition to the per day fine structure, the Owner shall be charged \$150 if injuries are incurred by a member or member's pets or livestock.

Article 3, ARCHITECTURAL STANDARDS AND CONTROLS

Violations of Article 3 will result in a fine of \$100 per day unless the Board has granted a variance.

Article 4, EASEMENTS

Violations of Article 4 will result in a fine of \$25 per day.

Section 1.04 Road Reserve

The correct level of reserve funding depends on the HOA's individual circumstances, and there is no "industry standard" for funding reserves. There are several possible strategies a Board can consider in determining the funding level. These include:

- **Fully Funded Model** – setting a reserve funding goal which keeps the reserves at or near 100% funded.
- **Threshold Funded Model** – setting a reserve funding goal which keeps the reserve balance above some predetermined threshold. This is generally more than "Baseline Funding" and less than "Full Funding".
- **Baseline Funded Model** – "Minimum Funded Model" – setting a reserve funding goal which keeps the reserve cash balance at the end of each year in the overall reserve funding projection at or above \$0.

The Board has approved in implementing a "**Fully Funded Model**" in which General Assessments shall be allocated to the **Road Reserve Account** at specified increments (**based on the Fiscal Year's Budget**) until the Road Reserve funding goal has been achieved or is near 100% funded. The Road Reserve funding goal shall be based on a "rolling" 5-yr average of Road Work. This 5-yr average shall be calculated at the time of the Board approving each Fiscal Year's Budget. The Board shall make known the 5-yr average thru "general mail" during the distribution of the approved Fiscal Year's Operating Budget.

Types of Accounts. Collected assessments shall be deposited into at least two (2) separate accounts and shall be clearly designated as (i) the "**Current Operation**" account (**checking**) and (ii) the "**Road Reserve**" account (**savings**). The Board shall deposit those portions of the Assessments collected for current maintenance and operation into the "**Current Operation**" account and shall deposit those portions of the Assessments collected as reserves for replacement and deferred maintenance of major components which the Community Association is obligated to maintain into the "**Road Reserve**" account.

Road Reserve Account:

There may be legitimate instances when "**Road Reserve**" funding temporarily exceeds 100%. For example, the two consecutive years where Road Work expense is below normal, the current amount in the Road Reserve may exceed the calculated 5-yr average Road Reserve funding goal. Anything over 130% of the current Road Reserve funding goal shall be deemed as excessive. Any monies exceeding 130% shall be removed from the "**Road Reserve**" account and redirected back into the "**Current Operation**" account.

Implementation

Because "Reserve funds" are collected for specific purposes, they can only be used for certain types of expenses. The Civil Code states that "**Road Reserve**" funds can only be used for the "repair, restoration, replacement, or maintenance of major components which the Association maintains" or to "pursue litigation involving the repair, restoration, replacement, or maintenance of major components which the Association maintains."

There is some regulatorial allowance to use the “*Road Reserve*” funds to meet short-term cash flow needs not related to Road Work expenses. This allowance may be implemented by the Board, but any used monies must be paid back within the same fiscal year.

Article 2. Terms

Section 2.01 “Approval”

- a. Approval “by a majority of all members” means approval by an affirmative vote of a majority of the votes entitled to be cast. In an association with 112 members, 57 must approve an action.
- b. Approval “by the members” means approval by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present. In an association with 112 members, at least 57 must be present in person or by proxy before a vote can be taken. At least a majority of those present (in person or by proxy) must approve the action. If 51 are present then 26 must approve. If 80 are present, then 41 must approve the action.
- c. Approval “by the voting power” means majority of members eligible to vote. In an association with 112 members in which the voting rights of 10 delinquent members have been suspended, the number of eligible voters is 102 and a majority is 52.
- d. Approval by an “authorized number” means 5 percent of the voting power. In an association with 112 members, the authorized number is 6.

Section 2.02 “Member in good standing”

- a. “Member in good standing” is sometimes defined in the bylaws or the CC&Rs but frequently is not. It is generally understood to mean members who are current in the payment of their assessments and who are not in violation of the governing documents.
- b. Members can be deemed “not in good standing” and have their voting rights and privileges suspended, provided due process is followed.

Article 3. VOTING

Section 3.01 SELECTING INSPECTORS OF ELECTION

- a. The following methods may be used to select inspector(s):
 - The Board may appoint an independent third party

Section 3.02 Duties of Inspectors of elections

- a. Inspectors of election must perform their duties impartially, in good faith, to the best of their abilities, and as expeditiously as practical
- b. Inspectors of election must:
 - Determine the number of memberships and the voting power of each;
 - Determine if proxies are used;
 - Receive and hold ballots;
 - Hear and determine all challenges and questions regarding voting issues
 - Inspect the voter sign-in list prior to opening the outer ballot envelope to check the voter information.
 - Give a count of the number of ballots turned in to make sure there is a quorum.
 - If there are three inspectors, the decision of a majority shall be effective in all respects as the decision of all.
 - Determine when the polls close [if the election is conducted entirely by means of absentee ballot, the polls may close prior to the meeting date];
 - Determine the result of the election [any report made by the inspectors is prima facie evidence of the facts stated in the report];
 - Perform such acts as may be proper to conduct the election with fairness; and
 - Keep custody of the ballots until they are turned over to the association.

Section 3.03 Appointment of Assistants

- a. Inspectors of Election are allowed to appoint and oversee additional persons to verify signatures and to count and tabulate votes as the inspector or inspectors deem appropriate, provided that the persons are independent third parties.
- b. Inspectors of election, or their designees, may verify member information and signatures on the outer envelope prior to the meeting at which ballots are tabulated.

Section 3.02 Counting the ballots

- a. All votes shall be counted and tabulated by the inspector(s) at a properly noticed open meeting of the board of directors or members.
- b. Only the candidates or other members of the association may observe the counting and tabulation of the votes.
- c. Observers may not:
 - touch any voting materials or equipment;
 - touch election personnel;
 - assist in the tabulating of votes;
 - talk to ballot counters while they are processing ballots;
 - make loud noises or distract ballot counters;
 - use cellular phones, pagers, two-way radios, cameras, audio or video recording devices, or camera phones during the balloting;
 - eat or drink while votes are tabulated; or
 - in any way interfere in any way with the conduct of the election

Section 3.03 Breaking a tie

- a. Breaking the tie can be done by one of two methods.
- b. If the candidates agree, the winner can be selected by:
 - flipping a coin for two-way ties
 - drawing names for three-way ties.
- c. If the tied candidates do not agree to the above arrangement, a runoff election must be held.

Section 3.04 Announcing election results

- a. Following the tabulation of the ballots, the results of the election must be:
 - promptly reported to the board of directors,
 - recorded in the minutes of the next meeting of the board,
 - made available for review by the membership, and
 - publicized to all members within 15 days of the election