The Sea Ranch Association

BYLAWS

Adopted by the Board of Directors July 17, 1982
Amended September 5, 1987, December 8, 1990, September 26, 1992, October 24, 1992, May 21, 1994, October 26, 1996, March 28, 1998, December 11, 1999, December 15, 2001, August 23, 2003, August 27, 2005, April 28, 2007, October 27, 2007, October 26, 2013, August 22, 2015, February 22, 2020, February 25, 2023

Latest Revision – December 13, 2025

ARTICLE I - DEFINITION

Section 1.01. The Sea Ranch Restrictions. The term "The Sea Ranch Restrictions" shall mean limitations, restrictions, covenants and conditions set forth in that certain declaration entitled "The Sea Ranch Restrictions" dated April 29, 1965, and recorded in the Office of Recorder of the County of Sonoma on the 10th day of May, 1965, in Book 2127 of Official Records at page 238 and following, as said declaration may from time to time be amended pursuant to Section 9.01 thereof; provided, however, that with respect to any property within The Sea Ranch which is annexed pursuant to Section 2.02 of said declaration, the term "The Sea Ranch Restrictions" shall also mean said declaration as it may from time to time be supplemented or modified by the provisions of a declaration, if any, filed with respect to such property pursuant to paragraph (a) of Section 2.02 of said declaration.

Section 1.02. Lot; The Sea Ranch. The term "Lot" and "The Sea Ranch," which are defined in Article First of The Sea Ranch Restrictions, are used in these Bylaws as therein defined.

Section 1.03. Owner. The term "Owner" shall mean the person or persons holding the beneficial ownership of a Lot in The Sea Ranch.

Section 1.04. Terms in Articles of Incorporation. The definitions of the foregoing terms in this Article, to the extent such definitions differ from those set forth in Article Third of the Articles of Incorporation of this Association, are intended further to define and interpret such terms.

Section 1.05. Principal Executive Office. The Association shall have its principal executive office at The Sea Ranch, Sonoma County, California.

ARTICLE II - MEMBERS

Section 2.01. Qualification: Proof of Status; Certificates.

(a) Each Owner, by virtue of being an Owner and until no longer an Owner, shall be a member of the Association. No person other than an Owner may be a member of the Association.

(b) No person shall exercise the rights of membership until satisfactory proof has been furnished to the Secretary that he is an Owner. Such proof may consist of a copy of a duly executed and acknowledged grant deed or title insurance policy showing said person to be the Owner of a Lot within The Sea Ranch. Said deed or policy shall be deemed conclusive in the absence of a conflicting claim based upon a later deed or policy.

(c) Membership in the Association shall automatically terminate upon the transfer of an Owner's beneficial ownership of a Lot in The Sea Ranch. A membership may be transferred only in conjunction with the transfer of title of the Lot to which it attaches, and then only to the transferee of title. Upon said transfer and termination, the transferee shall automatically become a member of the Association.

(d) Any Owner of the 45 properties, numbered lots 31 through 75 in Unit 35-D, that is actively operating affordable housing on said lots, or any of them, pursuant to Sonoma County, State of California, and/or federal programs and regulatory requirements ("Affordable Housing Operator"), shall be a member of the Association, provided however:

(i) Should the Affordable Housing Operator demonstrate to TSRA's satisfaction that the Affordable Housing Operator (i) is a TSRA member in good standing, and (ii) is legally required to continue operating affordable housing on these 45 lots, or any of them, and (iii) cannot feasibly meet or finance its legal obligations to operate affordable housing on the lots while also paying the current TSRA member assessments, then:

(ii) The Affordable Housing Operator, TSRA's Board of Directors, and any third party in privity, may stipulate to a restatement or suspension of the Affordable Housing Operator's TSRA membership, and/or any duties, obligations, rights, or privileges pertaining thereto, on such terms and conditions as the parties may agree, or as a court may order.

Section 2.02. Certificates.

(a) The Board may provide for the issuance of certificates evidencing membership in the Association which shall be in such form as may be determined by the Board. All certificates evidencing membership shall be consecutively numbered and shall state the following:

(i) That the Association is a California Nonprofit Mutual Benefit Corporation which may not make distributions to its members except upon dissolution; and

(ii) If there are any restrictions upon the transferability of memberships, that a copy of such restrictions is on file with the Secretary of the Association, open to inspection by any member on the same basis as the records of the Association.

(b) The name and address of each member and the date of issuance of the certificate shall be entered on the records of the Association maintained by the Secretary. If any certificate shall become lost, mutilated or destroyed a new certificate may be issued therefore upon such terms and conditions as the Board may direct.

Section 2.03. Voting Rights; Proxies, General Power of Attorney.

(a) At any meeting of the members, each member shall be entitled to cast one vote for each Lot owned by such member.

(b) Any member may attend and vote at meetings in person; or by a person with general power of attorney for a member validly executed by the member and filed with the Secretary.

(c) Any general power of attorney shall be for a term of not to exceed eleven (11) months unless otherwise expressly provided for therein and may be revoked at any time by written notice to the Secretary. It shall be deemed revoked when the Secretary shall receive actual notice of the death or judicially declared incompetence of such member, or upon termination of such member's status as an Owner. Where two or more persons constitute a member, any general power of attorney for an individual with respect to the vote of such member may be signed by one person, provided that no other Co-Owner contests the general power of attorney. If any Co-Owner contests the proxy, any proxy with respect to the vote of such member shall be signed by all Co-Owners. All such persons may attend meeting, but no vote of such members shall be cast without the unanimous consent of all such persons at a given meeting.

Section 2.04. Meetings of Members.

(a) There shall be an annual meeting of the members on the Saturday of Memorial Day Holiday weekend at 1:30 p.m. at The Sea Ranch, or at such other reasonable place or time (not more than thirty (30) days before or after such date) as may be designated by notice of the Board delivered to the members not less than ten (10) days nor more than ninety (90) days prior to the date fixed for said meeting.

(b) Special meetings of the members may be called at any time for the purpose of considering matters which, by the terms of Articles of Incorporation, these Bylaws or The Sea Ranch Restrictions, require the approval of all or some of the members, or for any other reasonable purpose. Said meetings shall be called by the Chair of the Board, the Board, or five percent (5%) or more of the members.

(c) If a special meeting is called by members other that the Chair of the Board, 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 telegraphic or other facsimile transmission to the Chair of the Board, the Vice Chair of the Board, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the members entitled to vote, in accordance with the provisions of Section 2.05 of this Article II, that a meeting will be held, the time and date for such meeting, which date shall not be less than thirty-five (35) nor more than ninety (90) days following the receipt of the request, and the place of such meeting. If the notice is not given within the twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of members may be held when the meeting is called by action of the Board of Directors.

Section 2.05. Notices of Meetings.

(a) All notices of meetings of members shall be sent or otherwise given in accordance with this section not less than ten (10) nor more than ninety (90) days before the date of the meeting, provided, however, that if the notice is given by mail, and is not mailed by first-class, registered or certified mail, that the notice shall be given not less than twenty (20) days before the meeting.

(b) The notice shall specify the place, date, and hour of the meeting and

(i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted; or

(ii) in the case of the annual or regular meeting, those matters which the Board of Directors, at the time of the giving the notice, intends to present for action by the members. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to members.

(c) If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposals. Member action on such items is invalid unless the notice or written wavier of notice states the general nature of the proposal(s):

(i) Removing a Director without cause;

(ii) Filling vacancies on the Board of Directors by the members;

(iii) Amending the Articles of Incorporation;

(iv) Approving a contract or transaction in which a Director has a material financial interest;

(d) Notice of any meeting of members shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each member either at the address of that member appearing on the books of the Association or the address given by the member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either:

(i) notice is sent to that member by first-class mail, or telegraphic or other written communication to any Lot within The Sea Ranch owned by such member; or

(ii) notice is published at least once in a newspaper of general circulation in the county where the Association's principal executive office is located. Notice shall be deemed to have been given at the time when delivered personally, or sent by telegram or other means of written communication, or forty-eight (48) hours after deposited in the mail.

(e) An affidavit of the mailing or other means of giving any notice of any members' meeting may be executed by the Secretary, Assistant Secretary, or any other party of the Association giving the notice, and if so executed, shall be filed and maintained in the minutes book of the Association. Such an affidavit shall be prima facie evidence of giving the notice as required by these Bylaws.

(f) The Association is the sole owner and shareholder of The Sea Ranch Water Company. As such, the Association shall require that shareholders meetings and

Board of Directors meetings of The Sea Ranch Water Company be open to members of the Association to the same extent that meetings of the Association are open to its members pursuant to California Civil Code Section 4925.

Section 2.06. Quorum. The presence at any meeting, in person or by proxy, of members having one-third (1/3) of the total votes shall constitute a quorum. Unless otherwise expressly provided herein, any action may be taken at any meeting of the members upon the affirmative vote of a majority of the total votes present and voting at such meeting in person. For the purposes of this section the phrase "total votes present and voting" shall not include abstaining votes.

Section 2.07. Record Date.

(a) For the purpose of determining which members are entitled to receive notice of any meeting, to vote, or to give consent to corporate action without a meeting, the Board of Directors may fix, in advance, a "record date," which shall not be more than sixty (60) nor fewer than ten (10) days before the date of any such meeting. Only members of record on the date so fixed are entitled to notice, to vote, or to give consents, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law.

(b) Unless otherwise fixed by the Board of Directors, the record date for determining those members entitled to receive notice of, or to vote at, a meeting of members, shall be the next business day preceding the day on which notice is given, or, if notice is waived, the next business day preceding the day on which the meeting is held.

(c) A person holding membership as of the close of business on the record date shall be deemed the member of record.

ARTICLE III - BOARD OF DIRECTORS

Section 3.01. Corporate Powers.

(a) The corporate powers of the Association shall be vested in, exercised by, and under the authority of, and the affairs of the Association shall be controlled by a Board of Directors consisting of seven (7) persons.

(b) The Board shall have the exclusive right and responsibility to perform the duties and obligations and to exercise the powers and authority of the Association as set forth in The Sea Ranch Restrictions.

(c) The Board shall only exercise the powers and authority of the Association as set forth in The Sea Ranch Restrictions, and none other.

(d) The Board shall set overall policy for The Sea Ranch Association and shall delegate the management of the Association to the Community Manager.

Section 3.02. Qualification, Election, and Tenure of Directors.

(a) Only members of the Association in good standing shall be eligible to serve on the Board. For purposes of eligibility for election to the Board of Directors, "member" shall mean that person named on the registered and recorded deed to a parcel on The Sea Ranch, except that:

(i) When there are several names on the recorded deed, the eligible member is that single person designated by the several Owners to have the right to cast the parcel's vote in an election of the Association, or

(ii) When the parcel is owned by a corporation, the eligible member is that person authorized by the corporation to cast its vote in an election of the Association.

(b) Members having at least one-third of the total votes in the Association shall, by secret ballot, elect candidates to the Board and such election shall be effective as of the end of the annual meeting. Candidates will be elected to serve for three (3) year terms. Each member may accumulate his votes and give one or more candidates for Director a number of votes equal to the number of lots owned by the member multiply by the number of Directors to be elected. The candidates receiving the highest number of votes up to the number of authorized Directors to be elected shall be deemed elected. In the event the members present in person or by proxy represent less than one-third of the total voting power in the Association, the election shall be re-held within 60 days and, in the interim, the remaining Board Members may by majority vote temporarily, pending completion of the follow-up election, fill vacancies on the Board caused by such lack of quorum.

(c) The Board of Directors shall provide a reasonable opportunity for a nominee to communicate to the members regarding the nominee's qualifications and the reasons for the nominee's candidacy, a reasonable opportunity for all nominees to solicit votes, and a reasonable opportunity for all members to choose among the nominees.

(d) Except for the election of 1993, Directors shall serve for a term of three (3) Board years, or until their respective successors are elected; or until their death, resignation, removal; or upon cessation of their Association membership, whichever is the earliest. Any Director may resign at any time by giving written notice to the Chair or Secretary of the Board.

(e) No member may be elected as a Director for more than two (2) consecutive complete terms, except that any member may be elected after an absence from the Board for a period of three (3) Board years. This limitation shall take effect with the elections of 1993 and not be retroactive to prior terms served.

(f) If, at the regular date of closing for submission of nominations of a member to be a candidate for election to the Board, the number of qualified candidates is not more than the number of vacancies to be elected, as determined by the inspector or inspectors of elections, and the Association has held a regular written ballot election for the directors in the last three years (the three-year time period being calculated from the date ballots were due in the last full election to the start of voting for the proposed election), the open seats may be filled through an election by acclamation. Timely notification of the results of an election by acclamation shall be made to all members of the Association by individual delivery.

Section 3.03. Removal of Directors; Vacancies.

(a) The entire Board of Directors, or any individual Director, may be removed from office at any time by the vote of a majority of the members of the Association in accordance with the provisions of Corporations Code Section 7222. If the Articles or Bylaws of the Association authorize members to cumulate their votes, no Director may be removed (unless the entire Board is removed) when the votes cast against removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire numbers of Directors authorized at the time of the Director's most recent election were then being elected. If any or all Directors are so removed, new Directors may be elected at the same meeting and they shall hold office for the remainder of the terms of the removed Directors. If new Directors are not elected at such meeting, the vacancy or vacancies created by the removal shall be filled as provided in this section.

(b) Any elected Director who shall have been absent from two (2) consecutive regular scheduled meetings or four (4) non-consecutive regular scheduled meetings of the Board during a single administrative year shall forfeit his or her seat on the Board. The Chair of the Board, or in his absence the person who is presiding at the meeting, shall declare the seat vacated and the vacancy shall be filled as provided by these Bylaws; however, the Chair of the Board shall consider each absence of any elected Director as a separate circumstance and may expressly waive such absence for good cause shown.

(c) Vacancies in the Board of Director shall exist:

(i) on the death, resignation, or removal of any Director;

(ii) whenever the number of Directors authorized is increased;

(iii) on failure of the members in any election to elect the full number of Directors authorized; or

(iv) termination of membership in the Association.

(d) The Board of Directors may declare vacant the office of a Director:

(i) if he is declared of unsound mind by order of court, or finally convicted of a felony;

(ii) if within sixty (60) days after notice of his election he does not accept the office either in writing or by attending a meeting of the Board of Directors; or

(iii) if his removal is approved by a majority of members in accordance with Corporations Code Section 7222.

(e) Except as otherwise provided in these Bylaws, vacancies on the Board shall be filled by a majority of the remaining Directors, though less than a quorum, as hereinafter defined, or by the sole remaining Director. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, either the Board or the members may elect a successor to take office when the resignation becomes effective.

(f) A majority of the members of the Association may elect a Director at any time to fill any vacancy not filled by the Directors as provided in this section. Should the office of all Directors become vacant and there is consequently no Director left to fill vacancies, the vacancies shall be filled by a vote of the majority of the members of the Association at the Annual Meeting or at a special meeting called for that purpose at which a quorum is present.

(g) A person elected Director to fill a vacancy as in this section provided, shall hold office for the unexpired terms of his predecessor or until his death, resignation, or disability, or until his removal, as in these Bylaws provided.

(h) A reduction of the authorized number of Directors does not remove any Director prior to the expiration of his terms in office.

Section 3.04. Meetings of the Board.

(a) Meetings of the Board shall be held at such place or places within the State of California which may be designed from time to time by resolution by the Board of Directors. In the absence of such designation, meetings shall be held at the principal office of the Association, provided that any such meeting held elsewhere shall be valid if held on the written consent of all Directors given either before or after the meeting and filed with the Secretary of the Association.

(b) Regular meetings shall be held at such time and place as may be designated by the Board of Directors.

(c) Special or emergency meetings of the Board may be called by the Chair of the Board, or by any two Directors, and such meetings shall be held at the place designed by the person or persons calling the meeting, and in the absence of such designation at the principal office of the Association.

(d) Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall

have the same force and effect as a unanimous vote of such Directors.

Section 3.05. Notices of Meeting; Quorum.

(a) Members shall be given notice of the time and place of a meeting, except for an emergency meeting, at least four days prior to the meeting. Notice shall be given by posting the notice in a prominent place or places within the common area and by mail to any owner who had requested notification of board meetings by mail, at the address requested by the owner.

(b) A majority of the Directors shall constitute a quorum for the transaction of business. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Such participation in a meeting constitutes presence at such meeting.

(c) Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless the law, the Articles of Incorporation of this Association, or these Bylaws require a greater number. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for such meeting unless the law, Articles of Incorporation, or Bylaws require a greater number.

(d) The transactions of any meeting of the Board, however called and noticed or wherever held, are as valid as though the meeting had been duly held after proper call notice, provided a quorum is present and provided that either before or after the meeting each of the Directors not present sign a waiver of notice or a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(e) The Association is the sole owner and shareholder of The Sea Ranch Water Company. As such, the Association shall require that shareholders meetings and Board of Directors meetings of The Sea Ranch Water Company be open to members of the Association to the same extent that meetings of the Association are open to its members pursuant to California Civil Code Section 4925.

Section 3.06. Conduct of Meetings.

(a) All meetings of Directors shall be governed by *Robert's Rules of Order,* as such rules may be revised from time to time, insofar as such rules are not inconsistent or in conflict with these Bylaws, with the Articles of Incorporation of this Association, The Sea Ranch Rules or with law.

(b) Meetings of Directors shall be presided over by the Chair of the Board, or in his absence by the Vice Chair of the Board, or, in the absence of both, by a chair

chosen by a majority of the Directors present. In case the Secretary is absent from any such meeting, the Assistant Secretary shall act as Secretary and in his absence, the presiding officer may appoint any person to act as Secretary for the meeting.

ARTICLE IV - OFFICERS

Section 4.01. Officers. The officers of the Association shall be a Chair of the Board, a Vice Chair of the Board, a Secretary and a Treasurer. The Association may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 4.03. One person may hold two or more offices, except that the offices of Chair of the Board and Secretary shall not be held by the same person.

Section 4.02. Election. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 4.03 or 4.05, shall be chosen annually by the Board, and each officer shall hold his office until resignation, removal or other disqualification to serve, or a successor shall be elected and qualified.

Section 4.03. Subordinate Officers. The Board may appoint, and may empower the Chair of the Board to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board may from time to time determine.

Section 4.04. Removal and Resignation. Any officer may be removed, either with or without cause, by the Board or by any officer upon whom such power of removal may be conferred by the Board; provided, however, that no such officer shall remove any officer chosen by the Board.

Any elected officer who shall have been absent from two (2) consecutive regular scheduled monthly meetings or four (4) non-consecutive regular scheduled monthly meetings of the Board during a single administrative year shall forfeit his or her seat on the Board. The Chair of the Board, or in his absence, the person who is presiding at the meeting, shall declare the seat vacated and the vacancy shall be filled as provided by these Bylaws; however, the Board shall consider each absence of any elected officer as a separate circumstance and may expressly waive such absence by affirmative vote of a majority of its members. This provision shall apply to officers elected on or after May 29, 1982.

Any officer may resign at any time by giving written notice to the Board or to the Chair of the Board or Secretary. 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 therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 4.06. Chair of the Board. The Chair of the Board shall be elected by the Board from among the Directors. The Chair shall preside at all meetings of the members and at all meetings of the Board. The Chair shall represent The Sea Ranch Association to the Association members and shall have such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 4.07. Vice Chair of the Board. The Vice Chair of the Board shall be elected by the Board from among the Directors. In the absence or disability of the Chair of the Board, the Vice Chair of the Board shall perform all the duties of the Chair of the Board, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chair of the Board. The Vice Chair shall have such other powers and perform such other duties as from time to time may be prescribed by the Board and the Bylaws.

Section 4.08. Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and members, 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 members present in person or by proxy at members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the members of the Association together with their addresses. The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board required by the Bylaws or by law to be given, and he 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 or the Bylaws.

Section 4.09. Treasurer. The Treasurer shall monitor financial affairs of the Association and shall report on the financial condition of the Association to the Board and the Membership of the Association, and perform other duties as may be prescribed by the Board.

Section 4.10. Absence or Disability of Community Manager and Acting Community Manager. In the absence or disability of the Community Manager and the Acting Community Manager, or in the event of a vacancy in the position of the Community Manager and the Acting Community Manager, the Board shall empower the Chair of the Board or any other person to perform any or all of the duties of the Community Manager, and when so empowered and so acting, the Chair of the Board or such other person shall have all such powers of and be subject to all the restrictions upon the Community Manager.

ARTICLE V - CHIEF EXECUTIVE OFFICER

Section 5.01. Chief Executive Officer. The Board may employ a Community Manager, who shall serve at the pleasure of the Board, subject to any applicable contract of employment and duly adopted job description. The Community Manager shall be the general manager and chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs of the Association and shall have the general powers and duties of management usually vested in a general manager and chief executive officer, together with such other powers and duties as may be prescribed by the Board. To the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Association, the Association may delegate to the Community Manager any of its powers under The Sea Ranch Restrictions.

The Community Manager shall cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, and disbursements. The books of account shall at all reasonable times be open to inspection by any Director. The Community Manager shall insure that all monies and other valuables are deposited in the name and to the credit of the Association with such depositories as may be designated by the Board. The Community Manager shall insure that the funds of the Association are disbursed, as may be ordered by the Board, shall cause to be reported to the Chair of the Board of Directors, whenever they request it, an account of all transactions and of the financial condition of the Association, and shall have such other powers and perform such other fiscal duties as may be prescribed by the Board or the Bylaws.

ARTICLES VI - RECORDS AND REPORTS

Section 6.01. Articles and Bylaws. The Association shall keep at its principal executive office, the original or a copy of the Articles and Bylaws as amended to date, which shall be open to inspection by the members at all reasonable times during office hours. If the principal executive office of the Association is outside the State of California and the Association has no principal business office in this state, the Secretary shall, on the written request of any member, furnish to that member a copy of the Articles and Bylaws as amended to date.

Section 6.02. Books, Records and Minutes. The accounting books, records and minutes of proceedings of the members and the Board of Directors and any committee(s) of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the principal executive office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept in a manner consistent with generally accepted accounting principals and be kept either in written or typed form, or in any other form capable of being converted into written, typed, or printed form. The minutes and accounting books and records shall be open to inspection on the written demand of any member, at any reasonable time during usual business hours, for a purpose reasonably related to the members interest as a member. The inspection

may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the Association.

Section 6.03. Annual Report. Each year, within on hundred twenty (120) days of the close of its fiscal year, a report containing the following information shall be sent to each member:

(a) A balance sheet as of the end of such fiscal year, an income statement and statement of changes in financial position for such fiscal year.

(b) A statement of the place where the names and addresses of the current members are located.

(c) Any information required by California Corporations Code Section 8322 regarding indemnification of officers and Directors and transactions between the Association and officers, Directors, or other interested persons as defined in the California Corporations Code.

(d) A copy of a certified audit report by independent accountants of the Association's books and records for such fiscal year.

ARTICLE VII - CONFLICT OF INTEREST CODE

Section 7.01. Conflicts of Interest. No Association official shall make, participate in making, or in any way attempt to use his or her official position to influence an Association decision in which he or she knows or has reason to know that he or she has a direct or indirect financial interest which is distinguishable from the financial interest of the members of the Association generally.

(a) "Association official" means all of the following:

- A member of the Board of Directors
- A member of the Finance Committee
- A member of the Design Committee
- A Member of the Planning Committee
- A member of the Utilities Committee
- Chief Executive Officer/Community Manager
- Director of Design
- Executive Director of the Department of Design, Compliance and Environmental Management
- Director of Compliance and Environmental Management
- Director of Financial Services and Human Resources
- Director of Works
- Operations Manager of Facilities & Resources
- Director of Security
- Operations Manager of Utilities

- Director of Emergency Services

(b) Except as provided in paragraph (f) of this section, an Association official is attempting to use his or her official position to influence a decision if, for the purpose of influencing the decision, the official contacts, or appears before, or otherwise attempts to influence, any member, officer, employee or consultant of the Association. Attempts to influence include, but are not limited to, appearances or contacts by the official on behalf of a business entity, client, customer, or any other source of income to the official. However, an official is not attempting to use his or her official position to influence a decision if the official appears in the same manner as any other member of the Association solely to represent himself or herself on a matter which is related to his or her personal interest in real property which is used, or to be used, by the official as his or her personal residence, in which case the official shall be precluded from voting on the decision.

(c) "Financial Interest" means that it is reasonably foreseeable that the decision will have a financial effect, distinguishable from its effect on the members of the Association generally, on any of the following:

(i) Any real property in which the official has a direct or an indirect interest worth $2,500 or more if the effect of the decision will be to increase or decrease the fair market value of the property by $1,000 or more, or will increase or decrease the income producing potential of the property by $50 or more, per month.

(ii) Any source of income, including gifts, aggregating $2,500 or more in value provided to, received by, or promised to the Association official within 12 months of the time when the decision is made if the effect of the decision will be to directly or indirectly increase or decrease the amount of income to be received by the official, a member of the official's immediate family, or the source of the income, in an amount of $100 or more. Gifts from an official's immediate family or from an individual with whom the official exchanges gifts of approximately the same value, or loans from a financial institution in the regular course of business on terms available to the general public, shall not be included for purposes of this Article.

(iii) Any business entity in which the Association official has a direct or indirect investment worth $1,000 or more, or in which the official is a director, officer, partner, trustee, employee, or holds any position of management if the effect of the decision will be to increase or decrease the annualized gross revenues, or the annual net income, or the current assets or liabilities of the business entity, by $1,000 or more. Current assets are deemed to be decreased by the amount of any expenses incurred as a result of a decision.

(d) "Indirect interest" means any investment or interest owned by the spouse or dependent child of an Association official, by an agent on behalf of an official, or by a business entity or trust in which the official, the official's spouse, dependent children, or agent own directly, indirectly, or beneficially a ten (10) percent interest

or greater.

(e) "Association generally" means the entire Association or a significant group of the Association. What constitutes a "significant group" will depend on the facts and circumstances surrounding the decision and shall be determined by a majority vote of all members of the Board of Directors.

(f) A Director may appear before a committee representing a source of income without violating this code if the Director removes the conflict by abstaining from making, participating in making, or in any way attempting to influence any decision which would effect the jurisdiction of that committee, for a period of twelve months commencing on the date the official received the income.

Section 7.02. Employees. The provisions of Section 7.01 shall not apply to an employee of the Association when he or she is negotiating his or her compensation or the terms of his or her employment.

Section 7.03. Disclosure Statement. On April 1 of each year, every Association official shall file in the Association office a statement of economic interest. The statement shall be made on a form provided by the Association and shall include a disclosure of all interests specified in Section 7.01 of this code regarding sources of income of $2,500 or more, interests in real property of $2,500 or more (except one property used, or intended to be used, only as a personal residence and interests in business entities), when the source of income, interest in real property, or interest in a business entity is located on or within ten miles of or doing business with The Sea Ranch.

With respect to the disclosure of income and business entities, the official shall also include those sources and business entities which have within the preceding 12 months, or will within the succeeding 12 months, be subject to decisions of The Sea Ranch Association.

Section 7.04. Amendments to Disclosure Statement. An Association official shall file an amendment to his or her statement within 30 days of a change in any source of income, interest in real property, or interest in a business entity pursuant to Section 7.03.

Section 7.05. Availability for Inspection. Statements of economic interest of members of the Board of Directors shall be available for inspection by any member of the Association. Other statements of economic interest shall be confidential and shall be reviewed only by members of the Board of Directors and the Community Manager.

Section 7.06. Indemnification. The Association shall, to the maximum extent permitted by California law, indemnify each of its Directors and Officers, and each of the Directors and Officers of its wholly-owned subsidiary The Sea Ranch Water Company, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was such Director, Officer or Community Manager of the Association or The Sea Ranch Water Company. The Association may indemnify any

Association employees, Water Company employees or other agents to the extent the Board may determine, consistent with California law.

The Association may purchase and maintain insurance on behalf of any Director, Officer, employee or other agent of the Association (including the Community Manager) against any liability asserted against or incurred by such person in such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify his or her against such liability pursuant to the provisions of these Bylaws or of California law.

The Association may enter into indemnification agreements with Directors, Officers, employees and other agents of the Association. Any such indemnification agreement shall set forth, but not to the exclusion of the provisions of this Section 7.06, the particular obligations of the Association to indemnify the Director, Officer, employee or other agent against any liability asserted against or incurred by him or her as such Director, Officer, employee or other agent of the Association. The Chair or Vice-Chair of the Association may execute any such indemnification agreements on behalf of the Association.

Section 7.07. Enforcement.

(a) The Board shall determine, by a majority vote on the basis of all facts, whether a conflict of interest exists with respect to an Association decision. If the Board determines that a conflict exists, this fact shall be published in the *Bulletin* and the Board may by majority vote refer the matter under discussion to a special committee of the Board, of which the Association official with the conflict of interest is not a member.

(b) If an Association official fails to file a full and complete disclosure statement the official may be removed from his or her position by the special committee except if the official is a member of the Board of Directors. If the official is a Director, the committee may recommend that the Association commence an action in the Superior Court to have the Director removed.

Section 7.08. Election of Board of Directors. Each candidate for the office of Director shall file a statement of economic interest. These statements shall be available for inspection by members of the Association. No person's name shall appear on any ballot for the position of Director who fails to comply with this section.

Section 7.09. Applicability. The provisions of Article VII shall not apply to contracts entered into on or before December 31, 1987.

ARTICLE VIII - MISCELLANEOUS

Section 8.01. Policy Committees. In keeping with its responsibility to establish policy, the Board of Directors will appoint policy committees and adopt rules governing their duties and performance.

(a) The Board shall appoint the following policy committees:

(i) **Finance Committee.** The Finance Committee will monitor all financial affairs of the Association and will serve in an advisory capacity to the Board of Directors. The Finance Committee will review the financial status, capital budget, and investment policies of the Association.

(ii) **Planning Committee.** The Planning Committee shall advise the Board on planning for the future of The Sea Ranch.

(iii) **Utilities Committee.** The Utilities Committee advises the Board of Directors on matters affecting water company operations, wastewater management, cablevision, propane, telephone and refuse collection.

(b) The Board of Directors may appoint such other policy committees with such persons to perform such functions as they feel necessary to assist them in setting policy.

(c) Members of The Sea Ranch may request that the Board appoint such other policy committees as they deem necessary.

Section 8.02. Operations Committee.

(a) In keeping with his or her management responsibility, the Community Manager may form such committees to perform such functions as he or she feels necessary to assist him or her in the functions for which he or she is responsible. The members and chairs of such committees will be named by the Community Manager, subject to confirmation by the Board of Directors.

(b) Members of The Sea Ranch may request that the Community Manager appoint such other Operations Committees as they deem necessary.

Section 8.03. Corporate Seal. The Association shall have a seal in circular form having within its circumference the words “The Sea Ranch Association, Incorporated May 10, 1965, State of California.”

Section 8.04. Amendment of Bylaws. Bylaws may be adopted, amended or repealed by the Board; provided, however, that the Board shall not amend or repeal paragraphs (a) or (b) of Section 2.01 or paragraphs (a), (b) or (c) of Section 3.01. Bylaws may be adopted, amended or repealed by the members by the affirmative vote of two-thirds (2/3) of the total votes present and voting in person at a meeting of the members; provided, however, that paragraphs (a) and (b) of Section 2.01 and paragraphs (b) and of Section 3.01 shall not be amended or repealed without

the vote or written consent of members owning not less than three-fourths (3/4) of the lots within The Sea Ranch, approving such amendment of repeal. For the purpose of this section the phrase “total votes present and voting” shall not include abstaining votes.

Section 8.05. Certification and Inspection. The original, or a copy of the Bylaws as amended or otherwise altered to date, certified by the Secretary of the Association, shall be recorded and kept in a book which shall be kept in the principal office of the Association, and such book shall be open to inspection by the members at all reasonable times during office hours.

Section 8.06. Execution of Instruments. The Board of Directors, except as otherwise provided in these Bylaws, may by resolution authorize any officer or agent of the Association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent, or employee shall have any power or authority to bind the Association by a contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose in any amount.