

# **LAKE ARROWHEAD CLUB, INC.**

## **BY-LAWS**

(As amended through Apr 2010)

### ARTICLE I. NAME AND SEAL

This is a non-profit corporation in the State of New Jersey, incorporated in 1927, whose name is LAKE ARROWHEAD CLUB, Inc., hereinafter known as LAC, the Club, or the Association. The Seal of the Club shall be inscribed: "LAKE ARROWHEAD CLUB, INC." and "INCORPORATED 1927."

### ARTICLE II. PURPOSE.

#### SECTION 1. Definition of Lake Arrowhead

Lake Arrowhead is herein understood to be that residential area surrounding the bodies of water known as Lake Arrowhead, Great Bay, Bay of Deep Waters, the Route 46 Pond and includes the areas known as the Lake Arrowhead section, the Country Club section and the Forest section, which have been developed by the Arthur D. Crane Company as the community of Lake Arrowhead and which is delimited as Lake Arrowhead on the maps entitled "Maps of Lake Arrowhead, Denville-Mt. Lakes, Morris County, NJ" on file in the Morris County Clerk's Office. Additional properties have subsequently been included as part of Lake Arrowhead in their respective individual property deeds.

#### SECTION 2. Objectives

The objectives of the Club are:

- A) To act as trustees and to provide for the care and maintenance of the roads, dams, parks, beaches, lakes, waters and streams, docks, piers, pavilions, clubhouses, buildings and other structures, and other grounds used for recreation and sports, boating, bathing and fishing, on properties owned by LAC.
  - 1) LAC may use mechanical, biological or chemical means to keep the lake waters healthy and environmentally balanced, and will regularly monitor the water condition.
- B) To encourage and coordinate various activities including, but not limited to social, cultural and athletic activities within the community.
- C) To make periodic reports, and may publish a newsletter for the information of its membership and Lake Arrowhead.
- D) To enforce the By-laws and the Rules and Regulations of the LAC in order to maintain safety, protect the environment of the lake and community, and ensure the proper execution of the By-laws and Rules and Regulations by the community and the Trustees.

### ARTICLE III. Mandatory Easement Membership

#### SECTION 1. Easement Member

Each property owner who owns property in Lake Arrowhead, is an Easement Member, and has certain deeded rights.

## SECTION 2. Easement Member in Good Standing

An “Easement Member in good standing” is an Easement Member who abides by the LAC By-laws and Rules and Regulations, who meets the above criteria and is current and up-to-date in all financial obligations to the Association.

## SECTION 3. Easement Member Privileges

- A) Easement Members in good standing have deeded rights for use of the lakes and properties of Lake Arrowhead, subject to the limitations delineated in the LAC By-laws and Rules and Regulations.
- B) Easement Members in good standing have the right to attend Easement Committee meetings and to vote on the easement budget at the annual meeting for Easement Members.
- C) Membership privileges of LAC shall be limited to individuals only, except that no more than two persons from any Corporation, Partnership, Association, Fraternal Organization or similar body shall be entitled to membership privileges. The Member’s premises shall be occupied and used by the Member (or Member’s tenant) for private residential purposes only and not otherwise and there shall be erected thereon only a private residence for the use of one family.

## SECTION 4. Easement Member Registration

The deeded owner of the Lake Arrowhead property shall provide to the Community Services Chair, their name, mailing address and phone number. An e-mail address may also be provided. This information shall be used only for communication of official LAC business.

## SECTION 5. Easement Assessment

- A) The LAC owns the property over which the Easement Members hold the easement, consisting of the land under the lake and various properties around the lake. Said rights are subject to payment of a mandatory annual Easement Assessment that is the budgeted amount that the Easement Committee determines is sufficient to cover the annual cost of maintaining and improving the LAC properties.
- B) All Easement Assessments collected will become part of the Easement Fund, which will be used solely for the maintenance or improvement of the LAC properties.
- C) The Easement Assessment shall become due and payable on January 1 of each year.
- D) Easement members who fail to pay their easement assessment by March 31 shall cease to be able to exercise their easement rights, and shall become subject to collection proceedings.

- E) Should there be excess funds in the Easement Fund, these funds may be placed in escrow for future care of the LAC properties, or may be applied to a subsequent year's Easement Budget.

#### SECTION 6. Termination of Easement Membership Privileges

- A) Easement membership privileges may be suspended:
  - 1) For non-payment of the Easement Assessment by March 31. The easement member may then be subject to collection proceedings, including legal and court fees.
  - 2) Upon the sale of the easement member's property, the new owner will then be responsible for payment of the easement assessment, including any assessment in arrears.

#### SECTION 7. Guests

- A) Easement Members in good standing may have guests as provided in the LAC Rules and Regulations.
- B) An Easement Member cannot be a guest of an Easement Member.

#### SECTION 8. Complaints

- A) Any complaint made against a member must be submitted in writing to the Board of Trustees and a copy supplied to the member (via registered mail) complained of for his or her information.
- B) Complaints of any deficiencies in the service of the Club, of overcharge, mischarges, mistakes or defects must be made in writing to the Board of Trustees.
- C) In order to provide a fair and efficient procedure for the resolutions of disputes between property owners, or between a property owner and LAC, a Dispute Resolution Policy has been established as a voluntary, non-binding alternative to litigation for certain matters.

### ARTICLE IV. OPTIONAL LAC MEMBERSHIP.

#### SECTION 1.LAC membership Classes.

- A) Active Members shall be recognized as such persons who own property, at Lake Arrowhead, as described in ARTICLE II.SECTION 1. Membership is open to all property owners who submit appropriate registration information and fees, and comply with the By-Laws and Rules and Regulations of LAC for membership
- B) Associate Members shall be recognized as those who reside (but do not own property) in Lake Arrowhead as described in ARTICLE II.SECTION 1 at the property of an Easement member in good standing, and who submit appropriate registration information and fees, and comply with the By-Laws and Rules and Regulations of LAC for membership.

SECTION 2. LAC Member in Good Standing

An "LAC Member in good standing", both Active and Associate, is an LAC member who abides by the LAC By-laws and Rules and Regulations, meets the above criteria and is current and up-to-date in all financial obligations to the Association.

SECTION 3. LAC Membership Privileges

A) Voting

- 1) No one but Active Members in good standing shall be entitled to vote or hold LAC office, provided, however, that only one vote shall be cast for each membership.
- 2) Associate Members shall not be allowed voting privileges, but shall have all other privileges afforded Active Members.

B) Active LAC members in good standing shall have easement and full Association privileges as specified in the LAC By-Laws and Rules and Regulations.

C) Both Active and Associate Members shall be eligible to serve on committees.

SECTION 4. Application for Membership.

- A) Applications for both classes of membership shall be signed by the applicants. Applications shall indicate to whom and to what address notices from the Club are to be sent. And e-mail address may be provided.
- B) Applications for membership shall be presented to the Secretary who shall refer them to the Board of Trustees for approval.

SECTION 5. LAC Membership Dues.

- A) The annual LAC membership dues shall be set by the Board of Trustees and approved by a 2/3 vote of the Club members present at the time of the vote.
- B) The dues of Active and Associate Memberships shall become due and payable on March 1st of each year.
- C) Members who fail to pay their yearly dues by March 31 shall cease to be members in good standing.
- D) All LAC membership dues and property rental income received by the Club shall be used only for the purpose of Lake Arrowhead Club. The Club funds shall be used for objects and purposes of this Club, in accordance with a yearly meeting held before March 1st of each year. Prior to the adoption of the budget, expenditures shall be limited to cash on hand except by authorization of a special meeting of the Club or except as provided by ARTICLE V. SECTION 7.

SECTION 6. Termination or suspension of LAC Membership may occur:

- A) If dues for the calendar year have not been paid by March 31.

- B) Upon receipt of a voluntary resignation tendered in writing, addressed to the Secretary;
  - 1) Such resignation need not be accepted unless:
    - a) The resigning member is at the time, in good standing and has liquidated all arrears to the Club, and
    - b) Provided that no charges against said member are pending before the Board of Trustees.
- C) In the event that a written complaint is made by any LAC Member alleging that another member has violated any of the By-Laws or Rules and Regulations and the Board of Trustees has reasonable grounds to believe that such violation has occurred, the Board of Trustees may, by an affirmative vote of not less than two thirds (2/3) of the Board present and voting at any regular meeting of the Board or at any other meeting specially called for that purpose, take disciplinary action against such member as it deems appropriate, including but not limited to, the imposition of a monetary fine, the temporary suspension of membership privileges, or the termination of membership, provided that written notice of the details of the alleged violation and of the proposed disciplinary action shall have been mailed to such member at least thirty (30) days prior to the time of the meeting, which notice shall also apprise such member that he or she may be heard and represented by an attorney at such meeting prior to the time of the taking of the vote on such disciplinary action.

Such meeting may be held sooner than 30 days after the notice of the meeting has been served, upon agreement of the Board and the member about whom the complaint was made. A temporary suspension of membership privileges may be imposed by a member of the Executive Committee, pending the meeting. Notice of such temporary suspension of membership privileges shall be immediately provided to the member involved.

#### SECTION 7. Guests.

- A) The admission of guests to the clubhouse and grounds, and all restrictions and charges in connection therewith shall be subject to the By-laws and Rules and Regulations.
- B) Non-members using the lakes, field or other Club properties are subject to the By-laws and Rules and Regulations.
- C) No person who is eligible to become an LAC member, but is not, may be the guest of an LAC member.

### ARTICLE V. LAC BOARD OF TRUSTEES.

#### SECTION 1. Number of Board of Trustees Members

The government and management of the Club shall be entrusted to a Board of

Trustees, which shall consist of at least seven (7) and no more than thirteen (13) members, all of whom shall be property owners in the Lake Arrowhead Community and LAC members in good standing.

## SECTION 2. Nominations

- A) The Nominating Committee, composed and empowered as per ARTICLE VII. SECTION 2, shall nominate candidates for the Board of Trustees to replace those members whose terms expire at the Annual Meeting.
- B) Any ten members in good standing, none of whom are on the Nominating Committee, may also nominate candidates for the Board of Trustees at the Annual Meeting, if such proposal be delivered to the Secretary in writing and signed by the proposers, not later than ten days before the Annual Meeting.
- C) To be eligible for nomination as a member of the Board of Trustees, that person shall:
  - 1) Be a property owner,
  - 2) Have attained the age of legal majority,
  - 3) Be a LAC member in good standing for at least one (1) year immediately prior to election.
- D) Only one (1) member per LAC household is eligible for membership on the Board of Trustees at any one time.
- E) A list of all the proposed candidates will be delivered by the Secretary, to the LAC members no later than 10 days, and no earlier than 20 days, before the Annual Meeting for the LAC members' consideration.

## SECTION 3. Election, Term of Office, Code of Conduct

- A) At the Annual Meeting of the LAC members, the election of the Trustees will take place.
- B) LAC Members eligible to vote shall elect, by ballot, from the nominated candidates, trustees to serve for a three-year term. Only members in good standing at least thirty (30) days prior to any meeting at which a vote is to occur shall be entitled to vote on issues to be voted on by membership or in elections for board of Trustees. LAC shall make and certify a complete list of members eligible to vote at the member's meeting, which shall be produced at the time and place of the meeting, and be available for inspection by the members.
- C) Approximately one third of the Trustees' terms will expire every year.
- D) The polls will be kept open for one hour, and the votes tallied and certified by teller(s) appointed by the presiding officer.
- E) Each LAC membership shall have one vote. A member must be present, in person or by proxy, to vote.

- F) A plurality of all the votes cast at such meeting shall be necessary to the election of a member of the Board, either to a place in the incoming class or to fill a vacancy.
- G) Upon election, each Member of the Board of Trustees will be required to sign the LAC Code of Conduct for Trustees, and they will be bound to follow that code.
- H) The Board of Trustees shall annually elect from its members a President, Vice-President, Secretary and Treasurer to serve for one year each. Chairs of each of the existing committees will also be appointed

#### SECTION 4. Vacancies.

- A) A vacancy existing in the Board of Trustees from any cause other than the expiration of a term shall be filled by appointment of the President, subject to confirmation by a majority vote of the Board.
- B) A person so appointed shall hold office until the end of the fiscal year in which he or she is appointed or until the election of his or her successor.
- C) At the next Annual Meeting of the Association following such vacancy in the Board of Trustees, the LAC membership shall elect a member to serve for the unexpired term.

#### SECTION 5. Quorum

A quorum shall consist of a simple majority of the Trustees then serving, but no fewer than four (4).

#### SECTION 6. Voting

- A) Each Trustee shall have one (1) vote.

#### SECTION 7. Powers.

The Arthur D. Crane Company vested in LAC the right and privilege of formulating rules and regulations governing the use of the lakes, roads, parks, docks, dams and approaches.

The business, property and affairs of the LAC corporation shall be managed by the Board of Trustees that shall have the following powers:

- A) To initiate and approve plans and programs for the welfare of the Association;
- B) To have custody and management of land, buildings, equipment, securities, and all other properties of the corporation;
- C) To raise and disburse funds; to invest and reinvest funds of the corporation with the consent of the membership and/or legal advisors where deemed appropriate;
- D) To make contracts;

- E) To appoint or delegate the power to appoint other employees of the corporation; to determine the compensation of all employees of the corporation; and to terminate the employment of any employees.
- F) To make local improvements; to perform all other duties; and to have such other power to carry out the purpose of the corporation as may be necessary.
- G) To propose, administer, execute, enforce and establish penalties for the violation of, the By-laws and the Rules and Regulations of the Association for the protection of the safety and the common good of LAC members and easement members. Copies of these By-laws and Rules and Regulations shall be available to all property owners and tenants of property owners.
- H) The Board shall have the power to suspend the rights of LAC members and easement members. Such suspension shall be by 2/3 vote of the Board.
  - 1) No LAC or easement member shall be suspended for a period exceeding one year for each charge.
  - 2) No LAC member may be expelled without first having been given two weeks notice of the charges preferred against him or her, and of the time when he or she can submit to the Board a written answer to such charges.
- I) To charge interest on unpaid LAC dues and easement assessments charges and to assess collection fees, including reasonable attorney's fees on unpaid dues or easement charges.
- J) Spend up to Five Thousand Dollars (\$5000.00) for emergency purposes only, for the protection of the property of the Club, of the property of the owners, or of adjoining property, such sums to be considered as outside of the regular budget for the year. The amount and nature of the emergency expenditure will be discussed with the membership at the next open meeting. .
- K) Upon Board approval, grant restricted privileges for use of Club property;
- L) Perform any other acts, not specified, but necessary to the general management and control of the affairs, funds and property of the Club.
- M) The LAC shall indemnify all of its Officers, Trustees, employees and agents against any expensed and liabilities in accordance with and pursuant to the provisions of Section 15A:3-4 of the New Jersey Nonprofit Corporation Act ( N.J.S.A. 15A:3-4)

#### SECTION 8. Duties and Limits of Powers

- A) No individual member of the Board shall grant any privilege or permission.
- B) All contracts entered into by the Board shall be voted on by the Board of Trustees. A minimum of five (5) trustees is required to approve a contract in excess of \$5,000. The President must execute all contracts over \$2,000.
- C) All contracts entered into by the Board must be in writing.

- D) Board members shall not receive compensations or other monetary considerations for their services. Reasonable expenses for executing their duties may be reimbursed after approval by a Committee chair. Committee chairs expenses must be approved by a member of the Executive Committee.
- E) All board meeting minutes, books, records, papers, etc., of the Association or the Board of Trustees, with the exceptions listed below, shall be available and open for inspection within 10 days by any LAC member in good standing upon written request.
- F) Trustees will safeguard all forms of data that must be maintained in confidentiality and/or under controlled dissemination. The following information or documents shall not be subject to inspection, unless good cause is shown.
  - 1) Any matter of which the disclosure would constitute an unwarranted invasion of individual privacy;
  - 2) Any pending or anticipated litigation or contract negotiation;
  - 3) Any matter falling within the attorney-client privilege;
  - 4) Any matter involving the employment, promotion, discipline, or dismissal of a specific officer, Trustee, volunteer, or employee of the Association.

#### SECTION 9. – Termination of Office

- A) A Board member may be removed from office for
  - 1) Being absent from three (3) meetings within a year, unless excused by prior notification to an Executive Officer. An excused absence shall include a report for that trustee's area of responsibility.
  - 2) For cause;
  - 3) Non-payment of dues after notification by the Membership Chair;
  - 4) Violation of the LAC Code of Conduct for Trustees.
- B) A Board member is expelled by an affirmative vote of two-thirds (2/3) of the trustees in attendance.
- C) Upon termination of membership on the Board, the Board member who has been removed shall return all Association property, including but not limited to: badges, insignia, and keys, to the Board President within a week's time.

### ARTICLE VI. OFFICERS AND DUTIES

#### SECTION 1. President's Duties

- A) Preside at all meetings;
- B) Sign all contracts as required, subject to the approval of the Board;
- C) Fulfill obligations by checks.

- D) Have an agenda for the meeting before him or her and proceed in a business-like manner;
- E) Read correspondence;
- F) Keep a list of committees on table while presiding;
- G) Preserve order and control debates;
- H) Execute policies and procedures, which have been determined by the membership;
- I) Serve as or designate an official spokesperson for the Association;
- J) Establish, and appoint committee chairs for, special committees when the need arises, and with the approval of the Board of Trustees.
- K) Prepare, with the assistance of the Board of Trustees, and distribute to all members, an Annual Report of LAC;
- L) Provide, with assistance of the Treasurer, for the completion of tax returns for the LAC.
- M) Serve as an ex-officio member of all committees;

SECTION 2. Vice President's Duties:

- A) Preside at meetings in the absence of the President, either during a single meeting or over an extended period of time;
- B) Serve as an ex-officio member of all committees;
- C) Assume the Presidential duties in the temporary absence, or upon the removal, resignation, or death, of the President;

SECTION 3. Secretary's Duties:

- A) Give notice of all meetings of the Club and the Board of Trustees
- B) Keep minutes of the Board of Trustees meetings;
- C) Take the roll call and mark the absentees at Board meetings;
- D) Present draft minutes to the Board for approval;
- E) Record the name of the member who introduces a motion;
- F) Keep records of officers and standing committee chairs and Trustee terms;
- G) Take charge of all documents and correspondence belonging to the organization;
- H) Sign, and affix the Club seal, when required, to official documents and correspondence of the Association when requested;
- I) Receive and communicate to the LAC membership, nominations for the Board of Trustees and notify candidates of their election;

- J) Preside at Club meetings in the absence of both the President and Vice President.

#### SECTION 4. Treasurer's Duties

- A) Supervise receipts and disbursements of all monies for the organization, including the Easement Maintenance Fund;
- B) Maintain accurate bookkeeping records of such funds in accordance with good accounting practices;
- C) Fulfill obligations by checks.
- D) Pay expense vouchers from officers and committee members only when duly authorized and when receipts for expenditures are attached;
- E) Give a statement of finances at each monthly meeting and monthly report to the Easement Committee for the Easement Maintenance Fund;
- F) Give a complete financial report, which has been audited by two (2) other Board Members, at the Annual Meeting, or upon replacement of the Treasurer;
- G) Assist the President with the preparation of annual tax returns.

#### SECTION 5. Membership Chair's Duties

- A) Keep a record of all dues-paying members and of all easement holders and the payments to the Easement Maintenance Fund;
- B) Send easement and membership bills when due;
- C) Make provisions for collection of dues, delinquencies, fees, and penalties;
- D) Turn over all collected monies to the Treasurer, and keep accurate written records;
- E) Report on status of paid-up membership at monthly meetings compared to the previous month;
- F) Ensure that all Beach Membership and Boat Tags are issued annually;

#### SECTION 6. Term of Office

- A) All officers shall be elected for a term of one (1) year at the first meeting of the year.

#### SECTION 7. Vacancies

- A) Should an officer position become vacant, the Board will nominate, and the board will elect a replacement officer.

### ARTICLE VII. COMMITTEES.

#### SECTION 1. The Chairperson of all committees necessary to the maintenance of the Club shall

- A) Be a current member of the Board.
  - 1) The other members may be solicited from the membership at large except for the Easement Committee, for which membership in the Association shall not be required.
- B) Be appointed by the president, with the approval of Board of Trustees, who will designate the name of each committee in accord with its particular function.
- C) Present to the Board of Trustees a yearly budget with proposed expenditures for the year.
- D) Report to the Treasurer from time to time, in advance, the approximate amounts they will need to spend, and such expenditures must be authorized by the Board of Trustees before they shall be made.

SECTION 2. The Nominating Committee shall:

- A) Consist of five members, of which three shall be elected each year at the Annual Meeting by ballot, and two members appointed by the Board of Trustees;
- B) Nominate candidates to replace the outgoing Trustees;
- C) Nominate three candidates for election to the Nominating Committee of the succeeding year;
- D) Fill vacancies in their number;
- E) Deliver to the Secretary, twenty days prior to the Annual Meeting, the names of the candidates for election as Trustees.

SECTION 3. The Easement Committee shall:

- A) Be open to all Easement Members in good standing.
- B) Provide a method for its members to bring input to the LAC Board of Trustees on such items as budget and operation of the subservient properties.
- C) Perform the following functions:
  - 1) Accept reports from individual easement members and other committees involved in the maintenance and improvement of the subservient properties;
  - 2) Review proposed expenditures and expenditures made to date from funds collected for the maintenance of the easement and advise the LAC Board of Trustees on these expenditures;
  - 3) Draft and recommend a budget sufficient to cover the annual costs of maintaining those properties subject to easement rights; additionally, create an alternative budget which will provide for additional or improved items that the committee may deem to be in the best interests of the community;

- 4) Oversee, but not control, disbursement of the Easement Fund. The Easement Fund is an account for the Easement Assessments collected to support the easement and is separate from the LAC membership account.
- 5) At the budget meeting, or at another meeting of the easement members, the Easement Committee shall take comments on whether a majority of the easement members wish to increase the easement fee for the specific purpose of having the Association create additional amenities for use by all easement members. The committee shall advise the Board in writing of all such comments received.

#### SECTION 4. Other standing committees and duties / functions

- A) Lakes Committee: Responsible for the care and maintenance of the lakes and dams.
- B) Beach Committee: Maintain, supervise and improve the beach; develop and maintain job descriptions of the beach staff.
- C) Community Services Committee: Recruit new members and encourage participation in LAC activities. Chaired by the Membership Chair.
- D) Clubhouse Committee: Responsible for the care, maintenance and improvement of the clubhouse; manage the use of the clubhouse and grounds.
- E) Grounds Committee: Responsible for the care, maintenance and improvement of the LAC non-lake properties.
- F) Bar Committee: Responsible for operating the clubhouse bar.
- G) Recreation Committee: Responsible for Hub Lakes and other LAC athletic activities.
- H) Special Events Committee: Responsible for planning and executing clubhouse rentals and use, and special events.
- I) Dispute Resolution Committee: Responsible for alternate dispute resolution of any complaints Article IV Section 6 (C).

SECTION 5. Executive Committee shall consist of the President, Vice President, Secretary and Treasurer.

### ARTICLE VIII. MEETINGS.

#### SECTION 1. The Board of Trustees' Meetings

- A) Shall meet monthly, at the discretion of the Board, on predetermined dates, and in the Clubhouse or other mutually agreed location, and shall arrange for quarterly meetings of the general membership.
- B) Special Meetings may be called by the President or on written notice of at least three members of the Board of Trustees. Only the specific topic necessitating the meeting shall be discussed at that special meeting. The

proceedings of the special meetings of the Board of Trustees may be held strictly private.

## SECTION 2. LAC Membership Meetings

- A) General Meetings of the LAC membership may be held up to four times a year, inclusive of the Annual Meeting.
- B) The Annual Meeting of the LAC membership shall be:
  - 1) For the presentation of reports, and elections of Trustees and the three members of the Nominating Committee for the succeeding year.
  - 2) Convened at 8 o'clock in the evening during the month of November as designated by the Board of Trustees.

## SECTION 3. Special Meetings

- A) The President or three members of the Board of Trustees shall have the power to call Special Meetings of the Club at any time.
- B) Upon written request of twenty (20) LAC members, the Board of Trustees shall call a Special Meeting of the Club. Such request shall state the reason for which the meeting is called.
- C) The notice of any Special Meeting shall state the object for which the meeting is called and at a Special Meeting, no subject not stated shall be considered. Not less than ten days notice of any such meeting and of the reason for which it has been called shall be given to the members of the Club.

## SECTION 4. Easement Committee Meetings

- A) Easement Committee Meetings
  - 1) Shall be open to all easement members in good standing, who shall have the right to address the committee during that portion of the meeting reserved for public comments.
  - 2) May have the date and time changed by the committee with notice to easement members by posting on the web site and at the clubhouse.
  - 3) May be held monthly and shall be held at least quarterly.
- B) The Easement Committee shall hold an annual budget meeting prior to December 15 of each year to present, for the approval of the easement members in attendance, the proposed budget for the coming calendar year. This meeting shall be open to all easement members in good standing. At the annual budget meeting, the following shall transpire:
  - 1) The budget shall be in writing and shall identify each proposed expenditure to be set as a line item noting which are mandatory and not subject to adjustment (such as real- estate taxes and insurance) and which are discretionary and to what degree (such as weed control, which is required, but the committee may propose more than the minimum).
  - 2) The budget shall be presented in a format in which each proposed expenditure is identified, and the mandatory, non-discretionary and

minimum amounts are clearly identified, along with any proposed increased amount for the specific item.

- 3) Easement members in attendance shall have the option to vote to approve or disapprove each discretionary line item separately. Mandatory or non-discretionary items may be debated but will not be subject to vote. Easement members shall be entitled to one (1) vote per easement property owner.
- 4) If any item for which increased optional funding is sought is defeated, the mandatory amount shall stand approved instead, in accordance with subsection (3) above.
- 5) If any item for which there is no required mandatory or non-discretionary requirement is defeated, the item will not be funded.
- 6) Legal fees will be subject to a separate vote at the budget meeting. In addition, prior to the meeting, all easement holders must receive a written explanation of each separate case or matter for which legal fees are sought, the total amount of fees sought for each case or matter, and a written justification for why the fee in each case or matter is being charged to the easement fund.

#### SECTION 5. Meeting Notification

- A) Meeting notice may be given by US mail, hand delivered, or e-mailed, addressed to the member at the address to which all notices and documents prescribed by the By Laws or Rules and Regulations may be sent.
- B) The same shall be held to have been duly sent to or served upon a member when mailed or otherwise delivered to him or her at the address so furnished.

#### SECTION 6. Quorum.

- A) Ten percent of the Members in good standing shall constitute a quorum at any meeting.
- B) Each voting member in good standing shall be entitled to vote in person or proxy at any meeting subject to the provision of ARTICLE IV. SECTION 1.
- C) If no quorum be present within one half hour following the scheduled meeting time, the presiding officer shall postpone the meeting to any other day with the same effect as if held above.

### ARTICLE IX. SALE, TRANSFER, OR DISPOSAL OF CLUB-OWNED PROPERTY.

SECTION 1. As LAC properties are maintained solely for the health, welfare, morals, pleasure, recreation, indoor and outdoor sports, entertainments and social welfare of Lake Arrowhead Club membership, they will not be utilized for any commercial purposes.

SECTION 2. Further sale, transfer, or disposal of these properties must be approved by a two-thirds majority of LAC members, in person or proxy, at any meeting of the Club providing that ten (10) days notice of the potential sale or disposal was given to all members of LAC.

ARTICLE X. CONSTRUCTION OF BY-LAWS AND RULES AND REGULATIONS.

In respect to all questions of construction of the By-laws and Rules and Regulations, the decision of the Board of Trustees shall be final and conclusive.

ARTICLE XI. AMENDMENTS.

SECTION 1. Amendments to these By-laws may be made at any meeting of the Club providing the LAC membership was notified, in writing, ten (10) prior to the meeting. An Amendment to the By-laws requires two-thirds vote of the members present in person or proxy.

SECTION 2. Procedure for proposing Amendments will be as follows:

- A) Notification of proposed amendment(s) to the By-laws shall be furnished to the Secretary.
- B) The Secretary shall cause the proposed amendments to be printed and distributed to members at least ten days before the meeting at which it is proposed to consider them.

SECTION 3. Record of Amendments

Adopted: 1928.  
Amended:  
June 6, 1931  
November 25, 1933  
April 22, 1950  
April 20, 1964  
March 23, 1964  
March 23, 1965  
February 12, 1970  
February 3, 1972  
February 7, 1973  
June 4, 1974  
February 28, 1978  
November 10, 1978  
December 5, 1989  
September 16, 2009

ARTICLE XII. Code of Conduct

SECTION 1. Rationale for Code

- A) The success of the LAC depends upon the confidence and support of the Association's membership.
- B) A commitment to ethical conduct is expected of every member of the Board and its Committees. Fundamental values, including honesty, integrity, fairness, mutual respect, trust, responsibility, and accountability, shall be the standard by which the governing body and its committees will act.

SECTION 2. Code of Conduct Each member of the Board of Trustees or a committee is expected to:

A) Avoid conflicts of interest:

- 1) The highest standards of business conduct must be followed at all times. Public bids will be obtained for goods and services exceeding a monetary threshold to be periodically set by the Board.
- 2) Except for pending legal matters, contract negotiations, and personnel matters, all business undertaken by the LAC will be conducted in the open. Proper and available records, including minutes, must be kept.
- 3) Records, other than those deemed confidential, will be made available to members in good standing in a timely manner.
- 4) Trustees may not pursue the acquisition of real property in which the Association has indicated an interest.
- 5) Nepotism is disallowed, without appropriate disclosure to the Board of Trustees.
  - a) Committee chairs cannot hire immediate family members of Trustees (in-laws are considered family members) for LAC business, without full disclosure to the Board.
  - b) Trustees cannot award contracts to family members of any Trustee without full disclosure to the Board.
  - c) Minor children or full- time students of a Trustee may be hired with Board approval; his or her pay may not exceed the threshold set by the Board for that job or position; the child may not be hired or supervised by his or her parent or a relative.
  - d) Board members may not be directly involved in decisions regarding employment of friends or extended family members, and will abstain from voting on these matters.
- 6) Trustees shall always conduct themselves in the best interests of the organization.
- 7) Board members must maintain a sense of fiscal responsibility to the membership.
- 8) Trustees may have access to confidential information. It is imperative that this trust not be breached, and that the information is not used for personal gain.

B) Avoid the appearance of impropriety:

- 1) Board members will not engage in preferential treatment, but instead will act on the facts and equity of the situation.
- 2) Board members will excuse themselves from discussion and voting where the potential exists for the appearance of a conflict of interest.

- 3) Board members may not accept gifts or services from persons or organizations that have the potential to conduct business with the Association.

C) Abide by the following standards of behavior:

- 1) Board members will strive to maintain a high level of communication between the Board and its members through open discussion periods, regular publication of a newsletter, a regularly updated Web site, following a policy of inclusion, and education.
- 2) Board members will conduct themselves in a respectful manner.
- 3) Conflict must be resolved at the Board level. The courts shall be reserved as a last resort.

D) Follow the standards of conduct as listed below:

- 1) Abide by all applicable federal, state, and local laws.
- 2) Be conversant with, and adhere to, the Bylaws and the Rules and Regulations of the Association.
- 3) Conduct himself or herself in a professional manner when representing the Association.
- 4) Be honest and forthright in his or her actions.
- 5) Adopt a zero tolerance for discrimination on the basis of race, gender, religion, age, disability, nationality, or sexual orientation.
- 6) Fulfill his or her duties as prescribed and carry out his or her assignments in a timely manner.