

SECOND RESTATED BYLAWS

OF

GRAEAGLE MEADOWS

HOMEOWNERS' ASSOCIATION

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OF
GRAEAGLE MEADOWS HOMEOWNERS' ASSOCIATION**

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**SECOND RESTATED BYLAWS
OF
GRAEAGLE MEADOWS HOMEOWNERS' ASSOCIATION**

ARTICLE 1 NAME AND LOCATION

The name of the corporation is Graeagle Meadows Homeowners' Association (the "Association"). The principal office of the Association shall be located in Plumas County, California or at such other place reasonably convenient to the Development as the Board of Directors may from time to time establish.

ARTICLE 2 DEFINITIONS

2.1 Declaration. "Declaration" means the Second Restated Declaration of Covenants, Conditions and Restrictions of Graeagle Meadows Homeowners' Association, recorded on _____, as Instrument No. _____ in the Official Records of Plumas County, California, as such Declaration may from time to time be amended.

2.2 Other Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE 3 MEMBERSHIP AND VOTING

3.1 Membership. Membership in the Association shall include, and shall be limited to, all Owners of any Lot located within the Development. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Upon becoming the Owner of a Lot, each Owner shall automatically be a Member of the Association and shall remain a Member until such time as his or her Lot ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, alienated, or hypothecated in any way, except upon the transfer or encumbrance of the Lot to which it is appurtenant and then only to the transferee or mortgagee, as the case may be, of such Lot. Any attempt to make a prohibited transfer is void. Upon any transfer of title to a Lot including a transfer upon the death of an Owner, Membership in the Association shall pass automatically to the transferee.

3.2 Voting. Members in Good Standing shall be entitled to cast one vote for each Lot owned. In the event more than one person owns a given Lot, the vote for such Lot shall be exercised as the Owners among themselves shall determine, but in no event shall more than one vote be cast with respect to any Lot. If the joint Owners of a Lot are unable to agree among themselves as to how their vote or votes are to be cast, such vote shall be cast in accordance with the decision of a majority of such Owners. If there is no such majority, the vote for the Lot shall not be cast either in favor of or opposed to the issue or issues which are the subject of the vote, but the membership shall be counted for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met. If any Owner casts a vote representing a certain Lot and no written objection thereto is received by the Secretary prior to the close of voting, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Lot. The vote at any meeting of the Members may be by voice vote or by ballot as determined by the Board of Directors. In any election of

Directors where the number of candidates does not exceed the number of Directors to be elected, the election of Directors may be accomplished in accordance with Section 6.3 below, unless prohibited by California law.

3.3 Adoption of Election Rules. The Board of Directors shall adopt rules that govern the Association's election procedures which shall include the minimum requirements specified in California Civil Code Section 5105 [prior to January 1, 2014, see Civil Code Section 1363.03], or comparable successor statute, as it may be amended from time to time.

3.4 Assignment of Membership Rights. A Member who has sold his or her Lot to a Contract Purchaser shall be entitled to assign to such Contract Purchaser his or her rights and privileges of membership in the Association and shall be deemed to have assigned to a Contract Purchaser who has assumed occupancy of the Member's Residence all rights of use and enjoyment of the Common Area. No assignment of any membership rights or privileges to a non-resident Contract Purchaser shall be binding, however, until the Board of Directors has been notified thereof in writing. Notwithstanding any assignment, until fee title to the Lot has been transferred of record, a Contract Seller shall remain liable for all assessments, fines, and other charges imposed by the Board and for compliance with the Governing Documents by all Residents of his or her Lot. Any Member who has leased or rented his or her Residence to another person or persons shall in all events be deemed to have assigned to his or her tenants all rights of use and enjoyment of the Common Area. It is the express purpose and intent of the provisions of this Section to limit the right of use and enjoyment of the Common Area to Residents of the Development and their guests.

3.5 Record Dates. The record dates for notice of meetings of Members and voting shall be determined as follows:

3.5.1 The Board of Directors may fix a time not more than ninety (90) days and not less than ten (10) days preceding the date of any meeting of the Members as the record date for determining the Members entitled to notice of any such meeting. In the event no such record date is fixed by the Board of Directors, the record date for the determination of Members entitled to notice of any meeting shall be the close of business on the business day preceding the day on which notice is given or, if notice is waived, the close of business on the business day preceding the day on which the meeting is held. Only those persons or entities identified as Members in the records of the Association on the record date shall be entitled to notice of such meeting.

3.5.2 The Board of Directors may fix a time not more than sixty (60) days preceding the date of any meeting of the Members as the record date for determining the Members entitled to vote at any such meeting. In the event no such record date is fixed by the Board of Directors, the record date for the determination of Members entitled to vote at any meeting shall be the day of the meeting or, in the case of an adjourned meeting, the day of the adjourned meeting. Only Members in Good Standing as of the record date shall be entitled to vote at such meeting.

3.5.3 The Board of Directors may fix a time not more than sixty (60) days before the day on which the first written ballot is mailed or solicited as the record date for determining the Members entitled to cast written ballots with respect to any action proposed to be taken without a meeting pursuant to Section 4.12, below. In the event no such record date is fixed by the Board of Directors, the record date for the determination of Members entitled to cast written ballots with respect to any proposed action shall be the day on which the first written ballot is mailed or solicited. Only Members in Good Standing as of the record date shall be entitled to receive written ballots and vote on the proposed action.

3.5.4 Only Members are entitled to receive notice of meetings and only Members in Good Standing are entitled to vote. Members of the Association are limited to Owners as that term is defined in Section 1.25 of the Declaration.

ARTICLE 4 MEETINGS OF MEMBERS

4.1 Annual Membership Meeting. The annual meeting of the Members shall be held during the month of September of each year, on a date and at a time and place to be designated by the Board of Directors, upon proper written notice to all of the Members. Notwithstanding the previous sentence, the Board shall have the discretion to schedule the annual meeting of the Members during a different month so long as no more than fourteen (14) months pass between annual meetings. The President of the Board shall preside at every meeting of the Members. The President may delegate his duty to another Board member or authorized agent of the Association.

Membership meetings shall be conducted according to the following parliamentary procedures: (a) any matter proposed for action by the Members at a meeting shall be made part of the published notice of the meeting in the agenda for the meeting; (b) any member may make a motion to have a vote taken on any matter properly placed before the members at a meeting, and the President shall, if a second is received from another Member, call for a vote to be taken after permitting Members an opportunity to discuss the matter; (c) the President may call for a voice vote where allowed, but all matters that must be voted upon by secret written ballot pursuant to Civil Code Section 5105 [prior to January 1, 2014, see Civil Code Section 1363.03] may not be approved by a voice vote; (d) adjournment of the meeting in accordance with Sections 4.6 and 4.11; (e) voting by proxy in accordance with Section 4.7; and (f) all other questions of parliamentary procedure shall be resolved by the President, in his sole discretion.

All meetings of the Members shall be conducted according to the following order of business: (a) Proof of Notice of Meeting; (b) Establishment of quorum; (c) Reading and approval of minutes of preceding meeting; (d) Reports of Board and Officers; (e) Election of Directors; (f) Old business; (g) New business; and (h) Adjournment.

4.2 Special Membership Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors or pursuant to the written request of Members entitled to cast at least five percent (5%) of the Total Voting Power.

4.3 Notice of Membership Meetings.

4.3.1 Written notice of each meeting of the Members shall be given by or at the direction of the Secretary or other person authorized to give notice of a meeting. Written notice shall be mailed by first class mail, postage prepaid, or otherwise delivered at least ten (10) days but not more than ninety (90) days before such meeting, to each Member who, on the record date for notice of the meeting, is entitled to vote at such meeting, except that in the case of a special meeting called pursuant to a written request of Members, notice of such special meeting shall be mailed or otherwise delivered within twenty (20) days after receipt of such written request by the Board, and the date of such special meeting shall be set by the Board and shall be not sooner than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of such written request.

4.3.2 Notice of meetings shall be addressed or otherwise delivered to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice. Notice of any meeting of Members shall specify

the date, hour, and place of the meeting, and the general nature of those matters which the Board intends to present for action by the Members.

4.3.3 With respect to special meetings, only those matters referred to in such notice may be transacted. With respect to regular meetings, only those matters referred to in such notice may be transacted, except the Board of Directors may (a) briefly respond to statements or questions posed by those in attendance at the meeting, (b) ask a question for clarification, or (c) briefly report on his or her own activities. Notwithstanding the foregoing, any proper matter may be presented at the meeting for action by the Members if (a) the majority of the Board of Directors present at the meeting determines that an emergency situation exists, (b) upon two-thirds (2/3) vote of the Members present at the meeting, or, if less than two-thirds (2/3) of total membership of the Board is present, by a unanimous vote of the members present, that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda was posted and distributed, or (c) the item presented for action appeared on the properly noticed agenda for the prior meeting of the Board of Directors that occurred not more than thirty (30) days prior to the date that action is taken on the item, and at the prior meeting, action on the item was continued to the meeting at which the action was taken.

4.4 Conduct of Membership Meetings. All meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure, such as Robert's Rules of Order, or such parliamentary procedures as the Association may adopt. A reasonable time limit for all Members to speak at a meeting of the Members shall be established by the Board of Directors.

4.5 Place of Membership Meetings. Annual and special meetings shall be held at a location within the Development, or the Board may designate a convenient place located as close as reasonably practicable to the Development.

4.6 Quorum. The presence at any meeting, in person, by proxy or secret ballot, of Members entitled to cast at least fifty-one percent (51%) of the Total Voting Power shall constitute a quorum for the transaction of any business.

4.7 Proxies. At all meetings of the Members, each Member may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary. Any duly-executed proxy continues in full force and effect until an instrument revoking it or a duly-executed proxy bearing a later date is filed with the Secretary of the Association. Notwithstanding the preceding, no proxy shall be valid after the expiration of eleven (11) months from the date of its execution. A proxy shall automatically cease upon conveyance by the Member of his or her Lot.

4.8 Form of Proxy. A proxy covering any of the following matters shall not be valid unless it sets forth the general nature of the matter to be voted on:

4.8.1 Removal of any or all Directors pursuant to California Corporations Code Section 7222.

4.8.2 Filling a vacancy on the Board created by the removal of a director or to fill a vacancy not filled by the Directors pursuant to California Corporations Code Section 7224.

4.8.3 Voting on a transaction involving an interested director pursuant to California Corporations Code Section 7233.

4.8.4 Amending the Articles or the Bylaws to repeal, restrict, create, or expand proxy rights pursuant to California Corporations Code Section 7613(f)(1).

4.8.5 Amending the Articles pursuant to California Corporations Code Section 7812.

4.8.6 Voting on the sale or exchange of all or substantially all of the Association assets pursuant to California Corporations Code Section 7911(a)(2).

4.8.7 Voting on a merger pursuant to California Corporations Code Section 8012.

4.8.8 Voting on amendments to principal terms of a merger agreement pursuant to California Corporations Code Section 8015(a).

4.8.9 Voting to wind up or dissolve the Association as a corporation pursuant to California Corporations Code Section 8610.

4.8.10 Voting on a plan of distribution of Association assets in the event of dissolution pursuant to California Corporations Code Section 8719.

Any form of proxy distributed to ten (10) or more Members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited and shall provide, subject to reasonable specified conditions, that where a choice is specified the vote shall be cast in accordance with that choice.

4.9 Vote of the Members. If a quorum is present, by secret ballot, in person or by proxy, the affirmative vote of a majority of the voting power so present and voting on any matter (that is, a Simple Majority) shall constitute the act of the Members, unless the approval of a greater number or proportion of Members is required by any provision of the Governing Documents or the law. The Members present at a meeting may continue to transact business until adjournment of the meeting notwithstanding the withdrawal of enough members to leave less than a quorum. Other than adjournment, any other action requiring a vote of the Members must be approved by at least a majority of the voting power required to constitute a quorum, or by such greater number as required by law or by the Governing Documents.

4.10 Disclosure of Voting Results. For a period of one (1) year following the conclusion of a meeting or vote by secret ballot of the Members, the Association shall, upon written request from a Member, inform the Member of the result of any particular vote of the Members taken at such meeting or by secret ballot, including the number of memberships voting for, the number of memberships voting against, and the number of memberships abstaining or withheld from voting in a particular vote. If the matter voted on was the election of Directors, the Association shall report the number of memberships cast for each nominee for director.

4.11 Adjournment. Whether or not a quorum is present, any meeting of Members may be adjourned from time to time to be reconvened at a later time, subject to Section 4.6, above, by the vote of a majority of the Members present in person or by proxy at such meeting; however, in the absence of a quorum, no business other than adjournment may be transacted.

4.12 Action Without a Meeting.

4.12.1 Any action which may be taken at a regular or special meeting (including the election of Directors unless such elections are required by California law to be conducted by secret ballot in accordance with the procedures set forth in Civil Code Sections 5105-5135 [prior to January 1, 2014, see Civil Code Section 1363.03] or comparable successor statute) may be taken without a meeting of the Members if the Association distributes a written ballot to every Member entitled to vote. The determination to seek Member approval for Association actions through the use of written ballots shall be made by a majority vote of the Board.

4.12.2 Written ballots distributed to the Members shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. The written ballots shall provide a reasonable time within which to return the ballot to the Association. The Board shall have the power to extend, at its discretion, the date within which ballots must be returned if sufficient responses to establish a quorum are not received by the original deadline set for their return.

4.12.3 Approval by written ballot shall be valid only when the number of votes cast equals or exceeds the quorum that would be required if the action were taken at a meeting, and the number of approvals equals or exceeds the number of votes that would be required to approve the action if it were taken at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

4.12.4 The written ballot solicitation shall identify the number of responses needed to meet the quorum requirement and the percentage of approvals necessary to pass the measure submitted and shall specify the time by which the ballot must be received by the Association in order to be counted.

4.12.5 A written ballot, once cast, may not be revoked.

4.13 Voting by Secret Ballot. If required by California law (including without limitation Civil Code Sections 5105-5135 [prior to January 1, 2014, see Civil Code Section 1363.03]), elections regarding (a) Assessments, (b) selection of Directors, (c) removal of Directors, (d) amendments to the Governing Documents and (e) grants of exclusive use of Common Area property pursuant to Civil Code Section 4600 [prior to January 1, 2014, see Civil Code Section 1363.07] shall be conducted by secret ballot in accordance with the procedures set forth in Civil Code Sections 5105-5135 [prior to January 1, 2014, see Civil Code Section 1363.03] or comparable successor statute.

ARTICLE 5 BOARD OF DIRECTORS; QUALIFICATIONS; TERM OF OFFICE

5.1 Number of Directors. The affairs of the Association shall be managed by or under the direction of a Board of Directors, consisting of seven (7) Directors.

5.2 Qualification and Disqualification of Directors.

5.2.1 Only Members are eligible to be elected or serve on the Board.

5.2.2 Only Members in Good Standing shall be eligible to be elected or serve on the Board.

5.2.3 Only one Owner of a particular Lot may serve on the Board at any time.

5.2.4 A person shall be deemed disqualified under the followings circumstances: (a) the person is found by a court of competent jurisdiction to be of unsound mind or has been convicted of a felony; (b) the person fails within sixty (60) days after receiving notice of election to accept such office, either in writing or by attending a meeting of the Board of Directors as a Director; (c) the person is absent, without an excuse approved by the Board, from three consecutive meetings of the Board; and (d) with respect to a Director who is or was a Member, the person ceases to be a Member in Good Standing.

5.3 Election and Term of Office.

5.3.1 The Directors shall be elected for a term of three (3) years on staggered terms with two (2) Directors elected in one year, three (3) directors elected in the next year, and the remaining two (2) Directors elected in the subsequent year. In 2013, two (2) Directors shall be elected, in 2014 three (3) Directors shall be elected, and in 2015 two (2) Directors shall be elected, and that cycle shall repeat in subsequent years. Directors shall serve no more than two (2) consecutive terms. Each Director shall serve until the expiration of his or her term and thereafter until a successor is elected, or until the earlier disqualification, death, resignation, or removal of such Director. In the event an election cannot be held because a quorum cannot be reached, the Directors whose terms were expiring shall remain on the Board until the next scheduled election or until the Members call for a special meeting of the Members to attempt another election, whichever occurs first, unless those Directors choose to resign, in which case the remaining Directors will appoint their replacements.

5.3.2 Any tie in the number of votes cast for candidates where more than one Director is to be elected shall be decided by random drawing or other method of chance as determined by the Board of Directors.

5.4 New Director Requirements. It shall be the obligation of every newly elected Director, as soon as possible after being elected, to review the Governing Documents of the Association, including the Articles, Bylaws, Declaration, rules and regulation, minutes of the preceding two (2) Member meetings minutes of the preceding two (2) Board meetings, and the Association's most recent pro forma operating budget and the most recent financial statement.

5.5 Standards and Conduct. A Director shall perform the duties of a Director, including duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner such Director believes to be in the best interest of the Association, and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.

In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

- a) One or more officers or employees of the Association whom the Director believes to be reliable and competent in the matters presented; or
- b) Legal counsel, independent accountants or other persons as to matters which the Director believes to be within such persons' professional or expert competencies; or
- c) A committee of the Board upon which the Director does not sere, as to matters within its designated authority, which committee the Director believes to merit confidence; so long as, in an such case, the Director acts in good faith, after reasonable

inquiry when the need therefore is indicated by the circumstances, and without knowledge that would cause such reliance to be unwarranted.

5.6 Removal. Any Director may be removed from the Board, with or without cause, by the vote of a Simple Majority of the Members by secret ballot, or as may be required by California law, or any change in applicable law. The meeting at which the removal shall take place is at either a special meeting of the members or at the regularly scheduled annual meeting. No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his or her term of office.

5.7 Vacancies. A vacancy shall exist on the Board of Directors in the event of the disqualification, death, resignation, or removal of any Director, or if the authorized number of Directors is increased, or if the Members fail to elect the full authorized number of Directors. A reduction in the authorized number of Directors shall not cause removal of a Director prior to the expiration of his or her term. The Board of Directors, by a majority vote of the Directors who meet all of the qualifications for Directors, as set forth in Section 5.2, above, may declare vacant the office of any Director who fails or ceases to meet any required qualification that was in effect at the beginning of that Director's current term of office.

5.8 Filling Vacancies. Any vacancy occurring on the Board, except a vacancy created by the removal of a Director, may be filled by approval of the Board, or if the number of Directors then in office is less than a quorum, by the vote of a majority of the remaining Directors at a meeting of the Board, or by unanimous written consent of the Directors then in office, or by a sole remaining Director. A Director so chosen shall serve the remainder of the term of office of the Director whom he or she replaces. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. If the Board accepts the resignation of a Director tendered to take effect at a future time, the Board, or if the Board fails to act, the Members, may elect a successor to take office when the resignation becomes effective.

5.9 Compensation. No Director shall receive compensation for any service he or she may render to the Association as a Director. However, upon approval by the Board, any Director may be reimbursed for his or her reasonable expenses actually incurred in the performance of his or her duties.

ARTICLE 6 NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination.

6.1.1 The Board shall adopt reasonable nomination procedures that comply with California law (including without limitation Civil Code Sections 5105 through 5115 [prior to January 1, 2014, see Civil Code Section 1363.03] or comparable successor statute) for the nomination of eligible candidates. Such procedures shall include, without limitation, a mechanism for any eligible Member to nominate himself or herself for election to the Board.

6.1.2 All nominees shall meet the qualifications set forth in Section 5.2, above.

6.1.3 The Board shall include the name of each eligible nominee on the secret ballot.

6.2 Election of Directors. If required by California law (including without limitation Civil Code Sections 5105-5135 [prior to January 1, 2014, see Civil Code Section 1363.03]), Director elections shall be conducted by secret ballot in accordance with the procedures set forth in Civil Code Sections 5105-5135 [prior to January 1, 2014, see Civil Code Section 1363.03] or comparable successor

statute. The quorum for any such election shall be as stated in Section 4.6, above. The candidates receiving the largest number of votes shall be elected.

6.3 Uncontested Election of Directors. If after the close of nominations the number of people nominated for the Board of Directors is equal to or less than the number of Directors to be elected, the Board may without further action declare that those nominated and qualified to be elected to the Board. In such case, the Board of Directors shall notify the Members of its action. If the number of Directors so elected is less than the number of vacancies, the incoming Board of Directors shall fill the vacancy as provided for in Section 5.6, above.

6.4 Transfer of Duties. Following the completion of electing new directors and upon the conclusion of the annual meeting, incoming Board of Directors shall commence their term of office for which they have been elected.

ARTICLE 7 MEETINGS OF DIRECTORS

7.1 Organizational Board Meetings. Within thirty (30) days after each annual meeting of the Members, the Board of Directors shall hold a meeting for the purpose of organization, election of officers, and transaction of other business, as appropriate.

7.2 Regular Board Meetings. Regular meetings of the Board of Directors shall be held at least quarterly without notice to the Directors (because the day, time and place of regular Board meetings are established and announced during Board meetings) at a place within the Development, or at another location selected by the Board of Directors, and on a day and at a time as fixed from time to time by resolution of the Board, or upon proper notice which conforms to the provisions of Section 7.5 of these Bylaws, at another place, day, and time as set forth in such notice.

7.3 Special Board Meetings. Special meetings of the Board shall be held when called by the President of the Association or by any two (2) Directors.

7.4 Emergency Board Meetings. The President or any two (2) Directors may call an emergency meeting of the Board. An "emergency meeting" is defined as a meeting held to address circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide the notice to Members required by Section 7.6. Emergency meetings shall not be conducted via electronic communication (i.e., email), except if all board members consent in writing to the usage of such electronic communication, and if the written consent is filed in the minutes of the meeting.

7.5 Notice to Directors. Except as otherwise provided in Section 7.2 of these Bylaws, notice of each meeting of the Board shall be communicated to the Directors by first class mail not less than four (4) days prior to the meeting or by (a) personal delivery, (b) telephone, including a voice messaging system or other system or technology designed to record and communicate messages, (c) telegraph, (d) facsimile, or (e) electronic mail or other electronic means, not less than forty-eight (48) hours prior to the meeting. In the event of an emergency meeting as provided in Section 7.4, strict adherence to the notice requirements of this Section shall not be required provided that a reasonable effort to give notice to each Director shall be made taking into consideration the nature and circumstances of the emergency. Notice of a meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the meeting, or an approval of the minutes thereof, whether before or after the meeting, nor must notice be given to any Director who attends a meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director.

7.6 Notice to Members. Except for emergency meetings as provided for in Section 7.4 and executive sessions as provided for in Section 7.8, at least four (4) days prior written notice of the day, time, and place of each meeting of the Board, whether regular or special, shall be given to all Members by posting it in a prominent place or places within the Common Area and by mail to any Owner who has requested notification of Board meetings by mail at the address requested by the Owner. Notice of Board meetings may also be given by (a) mailing or delivery to each Residence, (b) by newsletter, or (c) by other means of communication reasonably designed to provide prior actual notice of such meeting. The notice shall contain the agenda for the meeting.

7.7 Open Meeting. Regular and special meetings of the Board shall be open to all Members of the Association, except when the Board meets in executive session pursuant to Section 7.8. A reasonable time limit for all Members to speak to the Board shall be established by the Board, which may limit Member commentary to a specific portion of the meeting.

7.8 Executive Session. The Board may meet in executive session to confer with legal counsel or to discuss and vote upon personnel matters, Member discipline, litigation in which the Association is or may become involved, and matters that relate to the formation of contracts between the Association and others. Except for emergency meetings conducted pursuant to Section 7.4, members shall be given notice of the time and place of a meeting that will be held solely in executive session at least two (2) 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, or electronic mail, if such Owner consents. The notice shall contain the agenda for the meeting. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person whose participation is, in the judgment of the Board, necessary or appropriate shall be entitled to attend the executive session. The Board shall also, at a Member's request, meet in executive session with such Member to discuss the Member's request to pay unpaid Assessments pursuant to a payment plan. Notwithstanding the preceding, the Board shall not in any way be obligated to accept or agree to any such payment plan.

7.9 Participation by Teleconference. Directors may participate in regular or special Board meetings through the use of conference telephone, electronic video screen communication or similar electronic transmission by and to the Association, to the extent permitted by law including without limitation California Corporations Code Section 7211(a)(6) provided that, if notice to the Members of the meeting is required pursuant to Section 7.6, at least one Director must be physically present at the noticed location of the Board meeting. Proper audio and/or video capabilities shall be ensured in order for such meeting to be valid.

7.10 Quorum. Four (4) Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board. Business may continue to be conducted if any action taken is approved by at least a majority of the Directors required to constitute a quorum notwithstanding the withdrawal of enough Directors to leave less than a quorum.

7.11 Minutes of Meetings of Directors.

7.11.1 Within thirty (30) days after the date of any meeting of the Board, the Board shall make available to the Members either (a) the minutes of that meeting as adopted by the Board, (b) those minutes as proposed for adoption which shall be marked to indicate draft status, or (c) a summary of the minutes. Any matter discussed in an executive session shall be generally noted in the minutes of the immediately following Board meeting which is open to the entire membership. To protect and preserve the confidential nature of executive sessions, minutes of executive sessions shall not be subject to inspection by

the Members or others. Notwithstanding the foregoing sentence, executive session agendas shall be made available to members.

7.11.2 Copies of the minutes, proposed minutes, or summary of minutes shall be provided to any Member upon request and upon reimbursement of the Association's costs in providing such copies. The Board may, but shall not be required to, post the minutes of its meetings on an internet site.

7.11.3 Members shall be notified annually in writing either at the time that the pro forma budget required under Civil Code Section 5300 [prior to January 1, 2014, see Civil Code Section 1365] is distributed or at the time of any other general mailing to the entire membership of the Association of their right to obtain copies of the minutes of meetings of the Board and how and where those minutes may be obtained. Commencing January 1, 2007, the minutes of Board meetings (other than executive session) shall be made permanently available to the Members of the Association.

ARTICLE 8 POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers. In addition to such other powers as may be expressly set forth in the Governing Documents or provided by law, the Board of Directors shall have the power to:

8.1.1 Rules and Regulations. Adopt, publish, amend, repeal and enforce Rules and regulations (all of which shall be in writing) governing the administration, management, operation, use and occupancy of the Development, including without limitation the use of the Common Area and facilities, the personal conduct of the Members and their tenants and guests within the Development and any other matter which is within the jurisdiction of the Association. The procedure for the adoption and modification of Rules by the Board with respect to the matters specified in Subsection 8.1.1.9, below, shall be as follows:

8.1.1.1 The Board shall provide written notice of a proposed new Rule, a change to an existing Rule or the repeal of an existing Rule, concerning matters specified in Subsection 8.1.1.9, below, (a "Rule Change"), to the Members at least thirty (30) days before adopting the same. The notice shall include the text of the proposed Rule Change and a description of the purpose and effect of the same. Notice is not required under this subsection if the Board determines that an immediate Rule Change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association;

8.1.1.2 A decision on a proposed Rule Change shall be made at a meeting of the Board, after consideration of any comments made by Members;

8.1.1.3 As soon as possible after making a Rule Change, but not more than fifteen (15) days after making the Rule Change, the Board shall deliver notice of the Rule Change to all Members. Members are deemed to have been notified of a Rule Change on delivery of notice of the Rule Change, or on enforcement of the resulting Rule, whichever is sooner. If the Rule Change was an emergency Rule Change made under Subsection 8.1.1.4, below, the notice shall include the text of the Rule Change, a description of the purpose and effect of the Rule Change, and the date that the Rule Change expires;

8.1.1.4 If the Board determines that an immediate Rule Change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association, it may make an emergency Rule Change. In such case, the notice specified in Subsection 8.1.1.1, above, shall not be required. An emergency Rule Change is effective for one hundred twenty (120) days, unless the Rule Change provides for a shorter effective period. A Rule Change made pursuant to this subsection may not be readopted pursuant to this subsection;

8.1.1.5 Notice required by this Section is governed by Section 12.5, below;

8.1.1.6 Members may call for a special meeting of the Members in accordance with Section 4.2, above, to reverse a Rule Change adopted by the Board, provided that the written request for the same is delivered within thirty (30) days after the Members are notified of the Rule Change;

8.1.1.7 The Rule Change adopted by the Board may be reversed by the affirmative vote of at least fifty-one percent (51%) of the Total Voting Power. In lieu of calling the meeting described in this Section, the Board may utilize a written ballot in accordance with Section 4.12, above. As soon as possible after the close of voting, but not more than fifteen (15) days after the close of voting, the Board shall provide notice of the results of the Member vote held pursuant to this Section to every Member. This Section does not apply to an emergency Rule Change made under Subsection 8.1.1.4, above;

8.1.1.8 A Rule Change reversed by the Members pursuant to Subsection 8.1.1.7, above, may not be readopted for a period of one (1) year after the date of the meeting reversing the Rule Change. Nothing in this Section precludes the Board from adopting a different Rule on the same subject as the Rule Change that has been reversed;

8.1.1.9 Subsections 8.1.1.1 through 8.1.1.8, above, shall only apply to a Rule that relates to one or more of the following subjects:

8.1.1.9.1 Use of the Common Area;

8.1.1.9.2 Use of a Lot, including any aesthetic or architectural standards that govern alteration of any improvements to a Lot;

8.1.1.9.3 Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties;

8.1.1.9.4 Any standards for delinquent Assessment payment plans;

8.1.1.9.5 Any procedures adopted by the Association for resolution of disputes;

8.1.1.9.6 Any procedures for reviewing and approving or disapproving a proposed physical change to a Lot or to the Common Area; and

8.1.1.9.7 Procedures for elections.

8.1.1.10 The requirements of Subsection 8.1.1.1 through 8.1.1.8, above, shall not apply to any other actions of the Board, including without limitation the following:

8.1.1.10.1 A decision regarding maintenance of the Common Area;

8.1.1.10.2 A decision on a specific matter that is not intended to apply generally;

8.1.1.10.3 A decision setting the amount of a Regular or Special Assessment;

8.1.1.10.4 A Rule Change that is required by law, if the Board of Directors has no discretion as to the substantive effect of the Rule Change; and

8.1.1.10.5 Issuance of a document that merely repeats existing law or the Governing Documents.

8.1.2 Contracts. Authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Association or to render the Association liable for any purpose or on any account. No contract with any person or entity to supply or furnish the Association with goods or services shall be for a term in excess of one (1) years, except upon the prior affirmative vote or written consent of a Simple Majority of the Members. This restriction shall not apply to (a) FHA or VA approved management contracts; (b) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (c) prepaid casualty or liability insurance policies not to exceed three (3) years, provided the policies provide for short rate cancellation by the insured; (d) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration;; (e) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years' duration; or (f) a contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty or other obligation upon ninety (90) days written notice of termination to the other party.

8.1.3 Determination of Good Standing. Determine, after notice to the Member and an opportunity for a hearing by the Board, that a Member is not a Member in Good Standing during any period in which the Member is in default in the payment of any assessment, fine or other charge levied by the Board or is in violation of any provision of the Governing Documents. However, a Member shall not be denied any privileges of membership except upon an explicit finding by the Board of Directors, after notice and an opportunity for a hearing, that a Member is not a Member in Good Standing for specified reasons. A Member found by the Board to be not a Member in Good Standing shall be deemed to continue in that status until the Board shall make a determination, either upon the Board's own initiative or upon the request of the Member, that such Member is, once again, a Member in Good Standing of the Association.

8.1.4 Sanctions; Hearings; Continuing Violations. Impose any or all of the following sanctions, and conduct hearings, as indicated below:

8.1.4.1 Establish and impose fines which shall be Enforcement Assessments as provided in Subsection 10.5.3 of the Declaration, for the infraction of any provision of the Governing Documents in accordance with a schedule of fines, not to exceed fifty (\$50) dollars for each violation, adopted by the Board and distributed to all Members pursuant to Subsection 8.2.10, below;

8.1.4.2 Suspend the voting or other membership rights and privileges of a Member, including the right to use the recreational facilities, if any, (a) during any period in which such Member shall be in default in the payment of any Assessment, fine or other charge levied by the Association, and (b) for any infraction of the Governing Documents.

8.1.4.3 Except as provided in Section 10.7 of the Declaration and Subsection 8.1.4.5 below, before any discipline is imposed upon a Member, the Board shall hold a meeting to consider the matter.

8.1.4.4 At least ten (10) days prior to any Board meeting where the imposition of discipline upon a Member is to be considered, the Board shall provide written notice of the meeting to the Member by either personal delivery or first-class mail. The notice shall contain at least (a) the date, time and place of the meeting, (b) the nature of the alleged violation for which the Member may be disciplined, and (c) a statement that the Member has a right to attend the meeting and may address the Board at the meeting.

8.1.4.5 When corrective action is taken in emergency situations as specified in Section 10.7 of the Declaration:

8.1.4.5.1 The Board may act on its own initiative to schedule a hearing.

8.1.4.5.2 If the Board has not scheduled a hearing and the disciplined Member desires a hearing, the Member's written request therefor shall be delivered to the Association no later than ten (10) days following the date when the notice of the Board's disciplinary action is transmitted to the Member. The hearing shall be held within thirty (30) days following the receipt by the Board of the Member's request for a hearing.

8.1.4.5.3 If a hearing is scheduled or requested, any discipline already imposed shall be held in abeyance and shall become effective only if affirmed at the hearing.

8.1.4.5.4 Notification of all hearings shall be made in accordance with Subsection 8.1.4.4.

8.1.4.6 In the case of a continuing violation, the Board may deem such continuing violation to constitute two or more separate and distinct violations of the same Governing Document provision and may impose separate and successive sanctions for each such violation. However, the Board shall not

impose a separate sanction for violation of the same provision more frequently than once per day.

8.1.4.7 If the Board imposes discipline upon a Member, the Board shall provide the Member with written notification of the disciplinary action, by either personal delivery or first-class mail, within fifteen (15) days following the action.

8.1.5 Manager. Engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties.

8.1.6 Professional Advisors. Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Governing Documents and the law, and to pay for such professional services.

8.1.7 Investment of Reserve Funds. Invest Association reserve funds in prudent investments subject to the provisions of Subsection 8.2.5 of these Bylaws.

8.1.8 Entry for Repairs. Enter any Lot, whenever such entry is necessary, in the Board's sole discretion, in connection with the performance of any maintenance, repair, construction, or replacement for which the Association is responsible or which it is authorized to perform, including without limitation the authorization provided in Sections 8.5 and 8.7 of the Declaration. The Board may enter or may authorize the Association's agents to enter any Lot to effect emergency repairs where such repairs are necessary for safety reasons or to prevent or discontinue damage to the entered Lot, any other Lot or the Common Area. Such entry shall be made with as little inconvenience to the Residents as practicable and only upon reasonable advance written notice of not less than twenty-four (24) hours, except in emergency situations.

8.1.9 Property Taxes. Pay all real property taxes and assessments levied, if any, upon any property within the Development to the extent not separately assessed to the Owners. Such taxes and assessments may be contested or compromised by the Association provided that any such taxes are paid or that a bond insuring the payment is posted.

8.1.10 Mergers. To the extent permitted by law, participate in mergers and consolidations with other nonprofit mutual benefit organizations organized for the same purposes as this Association, provided that the approval of an Absolute Majority is obtained.

8.1.11 Association Property. Subject to the provisions of the Declaration, including any required approval of Members or Mortgagees, acquire, own, hold, convey, transfer, dedicate, or otherwise dispose of real or personal property consistent with the purposes and powers of the Association and the management, administration, and operation of the Development or the business and affairs of the Association, and grant and convey easements, licenses, and rights of way in, over, upon, or under the Common Area.

8.1.12 Indemnification of Agents. Indemnify and hold harmless, to the maximum extent permitted by California law, each person who is or at any time was a director, officer, employee, or agent of the Association or member of any committee appointed by the Board from and against any and all claims, liabilities, expenses, judgments, fines, settlements, and other amounts, as those terms are defined by California law, actually and reasonably incurred by any such person, and to which any such person shall become

subject by reason of his or her being a director, officer, employee, or agent of the Association or member of any committee appointed by the Board.

8.1.13 Bank Accounts. Open bank accounts and designate signatories upon such bank accounts, subject to any restrictions set forth in the Governing Documents.

8.1.14 Borrowing. Borrow money in the name of the Association.

8.1.15 Other Powers and Duties. Exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by other provisions of the Governing Documents, and undertake any action on behalf of the Association as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Association and/or the interests of the Association and its Members.

8.1.16 Limitation of Powers. The powers of the Board shall be subject to the limitations set forth in the Governing Documents, including, without limitation, those contained in Article 5 of the Declaration.

8.2 Duties. It shall be the duty of the Board to:

8.2.1 Records and Minutes. Cause to be kept a complete record of all its acts and the corporate affairs, including an accurate and current record of the Members setting forth their names and addresses, adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, and committees of the Board, and to present a statement thereof to the Members at the annual meeting of the Members.

8.2.2 Pro Forma Budget. Prepare and distribute to the Members annually, not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year, a pro forma operating budget which shall include all of the following and shall be accompanied by the form specified in Civil Code Section 5570 [prior to January 1, 2014, see Civil Code Section 1365.2.5(a)]:

8.2.2.1 An estimate of the Association's revenue and expenses for such fiscal year on an accrual basis.

8.2.2.2 A summary of the Association's reserves based upon the most recent review or study conducted pursuant to law, based only on assets held in cash or cash equivalents which summary shall be printed in bold type and shall include all of the following:

8.2.2.2.1 The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component the Association is obligated to maintain, restore, repair, or replace;

8.2.2.2.2 A current estimate, as of the end of the fiscal year for which the study is prepared, of the amount of cash reserves necessary to maintain, restore, repair, or replace such major components;

8.2.2.2.3 The current amount, as of the end of the fiscal year for which the study is prepared, of accumulated cash reserves actually set aside to maintain, restore, repair, or replace such major components;

8.2.2.2.4 If applicable, the amount of funds received from either a compensatory damage award or settlement to the Association from any person or entity for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared;

8.2.2.2.5 The percentage of the amount of cash reserves necessary [per Subparagraph 8.2.2.2.2] that is represented by the amount of cash reserves actually set aside [per Subparagraph 8.2.2.2.3];

8.2.2.2.6 The current deficiency, if any, in reserve funding expressed on a per Lot basis, calculated in accordance with Civil Code Section 5565 [prior to January 1, 2014, see Civil Code Section 1365(a)(2)(D)];

8.2.2.2.7 A statement as to all of the following:

8.2.2.2.7.1 Whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repairs or replacement;

8.2.2.2.7.2 Whether the Board, consistent with the reserve funding plan adopted pursuant to Civil Code Sections 5550 and 5560 [prior to January 1, 2014, see Civil Code Section 1365.5(e)], has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment;

8.2.2.2.7.3 The mechanism or mechanisms by which the Board of Directors will fund reserves to repair or replace major components, including Assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms; and

8.2.2.2.7.4 Whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

8.2.2.2.8 A general statement setting forth the procedures used for the calculation and establishment of reserves to defray the future cost of repair, replacement, or additions to those major components that the Association is obligated to maintain, restore, repair, or replace. The general statement shall include, but need not be limited to, reserve calculations made using the formula described in Civil Code Section 5570 [prior to January 1, 2014, see Civil Code

Section 1365.2.5(b)(4)] and may not assume a rate of return on cash reserves in excess of two percent (2%) above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

In lieu of the distribution of the pro forma operating budget, the Board may distribute a summary of such budget (which must be accompanied by the form specified in Civil Code Section 5570 [prior to January 1, 2014, see Civil Code Section 1365.2.5(a)]) to all Members together with a written notice that the budget is available at the office of the Association or at another suitable location within the boundaries of the Development and that copies will be provided to a Member upon a Member's request and at the expense of the Association. If any Member so requests, the Association shall provide a copy of the pro forma operating budget to such Member by United States mail first-class postage prepaid, and such copy shall be mailed within five (5) days of such request. The written notice that is distributed to each Association Member as set forth herein shall be set forth in at least ten (10) point bold type on the front page of the summary of the budget.

8.2.3 Reserve Study. Cause to be conducted, at least once every three (3) years, a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements of the Development if the current replacement value of such major components is equal to or greater than one-half (1/2) of the gross budget of the Association for the fiscal year, excluding the Association's reserve account for that year. The Board shall review the reserve study (or cause it to be reviewed) annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required by this Section shall include the minimum requirements specified in Civil Code Sections 5550 through 5560 [prior to January 1, 2014, see Civil Code Section 1365.5] or comparable successor statute.

8.2.4 Reserve Funds. Not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components which the Association is obligated to maintain, restore, repair, or replace and for which the reserve fund was established. The Board may, however, authorize a temporary transfer of money from a reserve fund to the Association's general operating fund to meet short term cash flow requirements or other expenses, so long as the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the money will be repaid to the reserve fund, and that any such transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except as otherwise expressly provided by law. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account.

8.2.5 Investment of Reserve Funds. Manage and invest Association reserve funds in a prudent manner designed to achieve the primary objective of preserving principal while realizing a reasonable return and to assure the availability of funds as they are needed based upon the most recent reserve fund study obtained by the Board as provided in these Bylaws and by law.

8.2.6 Review of Accounts. Review the Association's operating and reserve accounts at least in accordance with the following minimum requirements:

8.2.6.1 Review a current reconciliation of the Association's operating accounts on at least a quarterly basis;

8.2.6.2 Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis;

8.2.6.3 Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;

8.2.6.4 Review the latest account statements prepared by the financial institutions where the Association keeps its operating and reserve accounts; and

8.2.6.5 Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

8.2.7 Annual Financial Statements.

8.2.7.1 Cause an annual report to be prepared not later than one hundred twenty (120) days after the close of the Association's fiscal year. Such annual report shall contain in appropriate detail (a) a balance sheet as of the end of the fiscal year, (b) an income statement for such fiscal year, (c) a statement of changes in financial position for such fiscal year, (d) a statement of the place where the names and addresses of the current Members are located, and (e) any information required by California Corporations Code Section 8322.

The annual report shall be accompanied by any report of independent accountants, or, if there is no such report, by a certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

The latest annual report shall be sent to any Member promptly upon his or her written request.

8.2.7.2 For any fiscal year in which the gross income to the Association exceeds seventy-five thousand (\$75,000) dollars, distribute to all Members of the Association within one hundred twenty (120) days after the close of such fiscal year a review of the financial statements of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

8.2.8 Notification Regarding Insurance Coverage. In accordance with Civil Code Section 5300 [prior to January 1, 2014, see Civil Code Section 1365], not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year, prepare and distribute to all Members a summary of the Association's property, general liability, earthquake and flood and fidelity insurance policies, if any. The summary shall include the name of the insurer, the type of insurance, the policy limits of the insurance, and the amount of deductibles, if any. The Association's disclosure obligations may be satisfied by distributing to the Members a copy of the insurance policy declaration page, so long as that page presents the information specified in the preceding sentence. As soon as reasonably practicable, the

Association shall notify the Members by first-class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible for any of those policies. If the Association receives any notice of nonrenewal of a policy described above, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

The summary distributed pursuant to this Section shall contain the statement required by Civil Code Section 5300 [prior to January 1, 2014, see Civil Code Section 1365(f)(4)], the current version of which is set forth on attached Exhibit "A". The statement shall be printed in at least 10-point boldface type.

8.2.9 Annual Notifications to Members. Distribute to the Members annually:

8.2.9.1 A statement describing the Association's policies and practices in enforcing lien rights and other legal remedies for default in payment of assessments as required by Civil Code Section 5310 [prior to January 1, 2014, see Civil Code Section 1365(e)]. This statement shall be distributed not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

8.2.9.2 A summary (a) of the statutory provisions relating to employing alternative dispute resolution procedures in certain matters with respect to enforcement of the Governing Documents which specifically references Civil Code Sections 5925 through 5965 [prior to January 1, 2014, see Civil Code Sections 1369.510 through 1369.590] and which includes the language required by Civil Code Section 5965 [prior to January 1, 2014, see Civil Code Section 1369.590(a)], and (b) describing the Association's internal dispute resolution process as required by Civil Code Section 5920 [prior to January 1, 2014, see Civil Code Section 1363.850]. The summary shall be provided either at the time the budget required by Subsection 8.2.2 of these Bylaws is distributed or in the manner specified in California Corporations Code Section 5016.

8.2.9.3 A written notice regarding assessments and foreclosure required by Civil Code Section 5730 [prior to January 1, 2014, see Civil Code Section 1365.1], the current version of which is set forth on attached Exhibit "B". The notice shall be printed in at least twelve (12) point type and shall be distributed within the sixty (60) day period preceding the beginning of the Association's fiscal year.

8.2.9.4 A notice and statement concerning the insurance carried by the Association as required by Subsection 8.2.8 of these Bylaws and Civil Code Section 5300 [prior to January 1, 2014, see Civil Code Section 1365(f)]. This statement shall be distributed not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

8.2.9.5 A pro forma operating budget as required by Subsection 8.2.2 of these Bylaws and Civil Code Section 5300 [prior to January 1, 2014, see Civil Code Section 1365(a)], including the form specified in Civil Code Section 5570 [prior to January 1, 2014, see Civil Code Section 1365.2.5(a)]. The pro forma

operating budget shall be distributed not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year.

8.2.9.6 Statement explaining the Members' right to obtain copies of minutes of meetings of the Board as required by Section 7.11 of these Bylaws and by Civil Code Section 5310 [prior to January 1, 2014, see Civil Code Section 1363.05(e)]. This statement may be distributed together with the pro forma operating budget specified in Subsection 8.2.2 of these Bylaws or at the time of any general mailing to the entire membership.

8.2.9.7 A notice of the Members' right to receive the annual report specified in Subsection 8.2.7. This notice may be distributed in any general mailing to the entire membership.

8.2.9.8 A notice of the Members' right to mail to the Association written notice of the Member's secondary address. The Member's written notice of his or her secondary address shall be mailed to the Association in a manner that shall indicate that the Association has received the Member's written notice. The notice to the Members shall be distributed together with the pro forma operating budget specified in Subsection 8.2.2 of these Bylaws.

8.2.9.9 Commencing January 1, 2009, a summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of subdivision (e) of Civil Code Section 5560 [prior to January 1, 2014, see Civil Code Section 1365.5]. The summary shall include notice to Members that the full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any Member upon request.

8.2.10 Notification to Members Regarding Monetary Penalties. Adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of fines that may be assessed against a Member for violations of the Governing Documents in compliance with Civil Code Section 5850 [prior to January 1, 2014, see Civil Code Section 1363(g)] if the Association has adopted or at any time adopts a policy imposing such fines. The schedule shall be in accordance with the disciplinary provisions of the Governing Documents, including Subsection 8.1.4 of the Bylaws. No subsequent distribution of the schedule is required unless the Board has made changes in the schedule since it was last distributed to the Members.

8.2.11 Notice of Assessments. Send written notice to each Owner in advance of each fiscal year of the regular assessment levied against his or her Lot for that fiscal year.

8.2.12 Notification of Assessment Increases. Provide notice to each Member, by first class mail, of any increase in the Regular Assessments or Special Assessments not less than thirty (30) nor more than sixty (60) days prior to such increased Regular Assessment or Special Assessment becoming due.

8.2.13 Collection of Assessments. Collect assessments levied by the Association by foreclosing the lien against any property for which assessments are not paid as required in the Declaration and/or by bringing an action at law against the Owner personally obligated to pay the same.

8.2.14 Certificate of Payment of Assessments. Issue, or cause an appropriate officer to issue, upon demand by any proper person, a certificate setting forth whether or not any

assessment has been paid. A reasonable charge may be made by the Board for the issuance of such certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

8.2.15 Insurance. Subject to the express requirements for specified insurance policies in this Section 8.2.15, the Board of Directors shall have the authority to adopt, amend, and repeal rules setting forth the type of insurance policies that the Board will purchase and maintain for the Association ("Insurance Rules"). Such Insurance Rules shall be consistent with the terms of this Section 8.2.15. If adopted, the Insurance Rules shall address what property is covered by those policies, if any, which will assist the Owners with determining what type of individual policies they need to purchase. The Insurance Rules are subject to change as standards in the insurance industry change and based upon changes deemed necessary by the Board. In addition to other insurance required to be maintained by the Governing Documents, the Association, through its Board, shall obtain from generally accepted insurance carriers, and maintain in effect at all times, the following insurance at common expense:

8.2.15.1 Liability Insurance. The Association shall obtain and maintain a commercial general liability insurance policy insuring the Association, any manager, the Association's directors and officers, and the Owners and occupants of the Lots and their respective family members against any liability incident to any bodily injury or property damage from any accident or occurrence within the Common Area or any negligent act or omission by the Association, its directors, officers, employees and agents. The policy shall include, if obtainable, a cross liability or severability of interest endorsement insuring each insured against the liability to each other. The limits of such insurance shall not be less than \$1,000,000 covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, and liability for property of others, and shall require at least thirty (30) days' prior written notice to the Association before the policy can be cancelled or substantially modified unless the policy is being replaced with a policy of equivalent coverage. The policy shall be primary and noncontributing with any other liability policy covering the same liability.

8.2.15.2 Property Insurance. The Association shall obtain and maintain a master policy of property insurance, which shall satisfy the conditions set forth in the Insurance Rules.

8.2.15.3 Individual Fire Insurance Limited. Except as provided in this Section, no Owner shall separately insure his Lot against loss by fire or other casualty covered by any insurance carried under Subsection 8.2.15.2. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable under policies described above that results from the existence of such other insurance shall be chargeable to the Owner who acquired other insurance and such Owner shall be liable to the Association to the extent of any such diminution.

8.2.15.4 Owner's Property Insurance. Each Owner of a Lot shall maintain property insurance against losses to property not covered by the Association's policy pursuant to Section 8.2.15.2 and liability insurance against any liability resulting from any injury or damage occurring within the Residence. Such insurance shall cover the interior and structural components of the Residence that

are not covered by the Association's insurance policy pursuant to Section 8.2.15.2. Owners shall provide proof of such insurance on an annual basis and a failure to provide such proof shall constitute a violation of these Bylaws and subject the Owner to discipline. Such insurance shall be an HO 0006 or comparable policy. All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association, and the First Mortgagee of such Lot.

8.2.15.5 Trustee. All fire, casualty, property and extended coverage insurance proceeds payable under Subsection 8.2.15.2 above for losses to real property and improvements may be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees, and others, as their respective interests shall appear. Said trustee shall be a commercial bank, savings and loan or trust company in the county in which the Development is located that agrees in writing to accept such trust.

8.2.15.6 Other Insurance. The Board shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees or uninsured contractors of the Association. The Board also may purchase and maintain fidelity bonds or insurance (which shall be in an amount not less than one hundred fifty percent (150%) of each year's estimated annual operating expenses and reserves and shall contain an endorsement of coverage of any person who may serve without compensation) sufficient to meet the requirements of any First Mortgagee.

8.2.15.7 Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.2.15.1, Subsection 8.2.15.2, and Subsection 8.2.15.6. The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

8.2.15.8 Officer and Director Insurance. The Association shall purchase and maintain insurance in an amount up to one million dollars (\$1,000,000) on behalf of any Director, Officer, member of a committee of the Association (collectively the "agents") against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under applicable law.

8.2.15.9 Waiver or Subrogation. All insurance carried by the Association, or the Owners, shall contain provisions whereby the insurer waives rights of subrogation as to the Association, Directors, Officers, Declarant, Owners, occupants of Lots, their family, guests, agents and employees.

8.2.15.10 Notice of Cancellation. All insurance carried by the Association shall require the insurer to notify any First Mortgagee requesting such notice at least fifteen (15) days prior to the effective date of any reduction or cancellation of the policy.

8.2.15.11 Annual Review of Policies. All insurance policies shall be reviewed at least annually by the Board in order to ascertain whether the coverage contained in the policies is adequate.

8.2.15.12 Payment of Premiums. Premiums on insurance maintained by the Association shall be a common expense funded by Assessments levied by the Association.

8.2.16 Supervision. Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed.

8.2.17 Enforcement of Governing Documents. Enforce the provisions of the Governing Documents, as more particularly set forth in the Declaration, and perform all acts required of the Board under the Governing Documents or required by law.

8.2.18 Water and Other Utilities. Acquire, provide and pay for utility services as necessary for the Common Area and facilities.

ARTICLE 9 OFFICERS AND THEIR DUTIES

9.1 Enumeration of Officers. The officers of the Association shall be a President, a Vice-President, Secretary, and a Chief Financial Officer (also known as the Treasurer), who shall at all times be members of the Board of Directors, and such other officers as the Board of Directors may, from time to time, by resolution appoint.

9.2 Election of Officers. The Board of Directors shall elect the officers. The election of officers shall take place at the first meeting of the Board of Directors following their election.

9.3 Term. The officers of the Association shall be elected annually by the Board, and each shall hold office for two (2) years, unless he or she shall sooner resign, be removed by the Board, or otherwise be disqualified to serve. In the event that an officer fails, for any reason set forth in the preceding sentence, to hold office for two (2) years, his or her successor shall hold office for the remaining term of his or her predecessor.

9.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

9.5 Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he/she replaces, subject to the Board's right to remove an officer.

9.7 Multiple Offices. The offices of Vice President and Chief Financial Officer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 9.4 of this Article.

9.8 President. The President shall be the Chief Executive Officer of the Association and shall, subject to control of the Board, have general supervision, direction, and control of the affairs and the other officers and the employees and agents of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board, shall have the general powers and duties of

management usually vested in the office of the President of an Association, and shall have such other powers and duties as may be prescribed by the Board and the Bylaws, subject, however, to any limitations contained in the Declaration.

9.9 Vice President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting, shall have all of the powers of, and be subject to all of the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board.

9.10 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may prescribe, a current register showing names of Members and their addresses; a book of minutes of all meetings of Directors, Members, and Committees of the Board setting forth the time and place of holding of such meetings; whether regular or special, and if special, how authorized; the notice thereof given; the names of those present at Directors or Committee meetings; the number of memberships and votes present or represented at Members meetings; and all the proceedings thereof. 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 shall maintain a proper record of the giving of such notice, and shall keep the books, records, and documents 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.

9.11 Chief Financial Officer or Treasurer. The Chief Financial Officer or Treasurer shall be responsible for the receipt and deposit in appropriate accounts of all monies of the Association and shall cause disbursement of such funds as directed by resolution of the Board; may sign all checks and promissory notes of the Association; shall cause to be kept proper books of account; shall cause an annual review of the Association's books and financial statements to be made by a public accountant at the completion of any fiscal year for which such review is required by law or as determined by the Board; shall assist the Board in preparation of an annual budget and a statement of income and expenditures to be presented to the Members of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board.

ARTICLE 10 COMMITTEES

10.1 Committees of the Board. Any "Committee of the Board" (that is, a committee consisting only of Directors, as referred to in California Corporations Code Section 7212) shall consist of at least two (2) Directors and shall have such powers and duties as the Board shall determine, subject to the limitations of California Corporations Code Section 7212.

10.2 Working Committees. The Board may appoint working committees consisting of at least one person who is not a Director. Directors may be members of committees created pursuant to this Section provided that fewer than a majority of Directors then in office serve on any one such committee. Such committees shall report on their activities to the Board from time to time as directed by the Board and shall operate under the supervision of and at the direction of the Board. No working committee shall have the authority to enter into contracts or otherwise act on behalf of the Association. The Board of Directors shall have the right at any time, in its complete discretion, to disband any working committee or remove any member thereof.

10.3 Compensation of Committee Members. No committee member shall receive compensation for any service he or she may render to the Association as a committee member. However, upon approval by the Board, any committee member may be reimbursed for his or her reasonable expenses actually incurred in the performance of his or her duties.

ARTICLE 11 ENFORCEMENT

11.1 Violations as Nuisance. Every act or omission constituting or resulting in a violation of any of the provisions of the Governing Documents shall be deemed to constitute a nuisance. In addition to any other remedies which may be available, such nuisance may be abated or enjoined by the Association, its officers, the Board or by any Member. The Board shall not be obligated to take action to abate or enjoin a particular violation if, in the exercise of its discretion, the Board determines that acting to abate or enjoin such violation is not likely to foster or protect the interests of the Association and its Members as a whole.

11.2 Violation of Law. Any violation of a state, municipal or local law, ordinance or regulation pertaining to the ownership, occupancy, or use of any property within the Community is hereby declared to be a violation of the Governing Documents and subject to any and all of the enforcement procedures set forth herein.

11.3 Members' Responsibility for Conduct and Damages. Each Member shall be fully responsible for informing the members of his or her household, Purchasers, contractors and guests of the provisions of the Governing Documents, and shall be fully responsible for the conduct, activities, any Governing Document violation of any of them, and for any damage to the Community or the Association resulting from the negligent or intentional conduct of any of them or any household pets. If a Lot is owned jointly by two or more Members, the liability of each Member in connection with the obligations imposed by the Governing Documents shall be joint and several.

11.4 No Avoidance. No Member may avoid the burdens or obligations imposed by the Governing Documents by abandonment of his or her Lot.

11.5 Rights and Remedies of the Association.

11.5.1 Enforcement Rights. The Association, its Directors, officers, or agents, and any Member shall have the right to enforce any and all provisions of the Governing Documents by any proceeding at law or in equity, or through the use of such other remedies as are available and deemed appropriate by the Board. Each remedy provided is cumulative and not exclusive. The Board shall not be obligated to take action to enforce a provision of the Governing Documents if, in the exercise of its discretion, the Board determines that acting to enforce the provision is not likely to foster or protect the interests of the Association and its Members as a whole.

11.5.2 Member Not In Good Standing. Upon a determination by the Board of Directors, after prior notice to the affected Member and an opportunity for a hearing, that such Member has violated any provision of the Governing Documents including a failure to pay any Assessment when due, the Board shall give notice in writing to such Member that he or she is deemed not to be a Member in Good Standing. Such Member shall be deemed to remain in that status until such time as the Board shall determine in writing that the violation which resulted in the Board's determination has been cured or remedied or, on some other basis as in the judgment of the Board is just and proper, that such Member shall again be deemed to be a Member in Good Standing of the Association. Such Member shall be so notified in writing with a copy given to the Secretary.

11.5.3 Imposition of Sanctions. In the event of a breach or infraction of any provision of the Governing Documents by a Member, members of a Member's household, and a Member's Purchasers, contractors, guests or invitees, the Board shall have the power to impose sanctions against the Member. Such sanctions may include, without limitation, the imposition of fines and/or the suspension of a Member's rights as a Member,

including a Member's voting rights. Except as provided in Subsection 8.1.4.5, imposition of sanctions shall be effective only after notice and an opportunity for hearing as provided in Subsection 8.1.4 of these Bylaws. The payment of any such fine may be enforced as an Enforcement Assessment as provided in Subsection 8.1.4 of these Bylaws as well as in any manner permitted by law. Further, each Member shall be obligated to pay Reimbursement Assessments levied by the Board for reimbursement of any costs incurred by the Association relating to violation of any provisions of the Governing Documents by the members of such Member's household and such Member's Purchasers, guests, pets, or other invitees.

11.5.4 Inadequacy of Legal Remedy. Except for the non-payment of any Assessment levied pursuant to the provisions of Subsection 8.1.4.1 of these Bylaws, it is hereby declared that a remedy at law to recover damages for a default in the performance of any of the terms and provisions of any of the Governing Documents or for the breach or violation of any such provisions is inadequate and that the failure of any Owner or a member of the household of any Member or a Member's guests, or household pets or any other occupant or user of any of the property within the Community to comply with any provision of the Governing Documents may be enjoined in any judicial proceedings initiated by the Association, its Officers or Board of Directors, or by any Member or by their respective successors in interest.

11.5.5 Limitation on Disciplinary Rights. The Association shall not have the power and authority to cause a forfeiture or abridgment of a Member's right to the full use and occupancy of his or her Lot as the result of the failure by such Owner, members of such Owner's household, or his or her tenants, guests, invitees or household pets to comply with any provision of the Governing Documents, except where such forfeiture or abridgment is the result of the judgment of a court of competent jurisdiction or a decision arising out of an arbitration proceeding. The provisions of this subsection shall not affect the Association's right to impose fines or monetary penalties or to suspend a Member's membership rights, as provided in the Governing Documents.

11.6 Alternative Dispute Resolution. Compliance with Civil Code Sections 5925 through 5965 [prior to January 1, 2014, see Civil Code Sections 1369.510 through 1369.590] and Civil Code Sections 5900 et seq. [prior to January 1, 2014, see Civil Code Sections 1363.810 through 1363.850] shall be required with respect to any dispute subject to such Sections.

11.7 Non-Waiver. Failure to enforce any provision of the Governing Documents at any time shall not be deemed a waiver of the right to do so thereafter with respect to the same or any other violation of any provision of the Governing Documents.

11.8 Notices. Any notices required or given under this article shall conform to Section 12.5 of these Bylaws.

11.9 Costs and Attorneys' Fees. In the event the Association shall take any action to enforce any of the provisions of the Governing Documents or shall determine that any Member or members of his or her household or his or her tenants, Purchasers, guests, invitees or household pets have violated any provision of the Governing Documents, and whether or not legal or judicial proceedings are initiated, the prevailing party shall be entitled to recover the full amount of all costs incurred, including attorneys' fees, in responding to such a violation and/or in enforcing any Governing Document provision. The remedies of the Association to recover the amount of such costs and attorneys' fees shall include, without limitation, the imposition of a Reimbursement Assessment as provided in Subsection 11.5.3 of these Bylaws.

11.10 Indemnification. Each Member, by acceptance of his or her Membership Certificate, agrees for himself or herself and for the members of his or her household, his or her Purchasers, guests or invitees, to (a) indemnify each and every other Member for, (b) to hold each and every other Member harmless from, and (c) to defend each and every other Member against, any claim of any person for personal injury or property damage occurring within the Lot of such Member, except that such Member's liability may be diminished to the extent that the injury or damage occurred by reason of the negligence of any other Member or person temporarily visiting in such Lot or is fully covered by insurance.

ARTICLE 12 BOOKS, RECORDS AND FUNDS

12.1 Access to Association Records. Association records shall, to the extent required by California law, be available for inspection by any Member. The Governing Documents shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost. The Board may adopt and publish reasonable rules and regulations establishing procedures relating to a Member's inspection and obtaining copies of Association records.

12.2 Checks, Drafts, and Evidences of Indebtedness. All checks, drafts, or other orders for payment of money and all notes or other evidences of indebtedness, issued in the name of the Association shall be signed in any manner specified by the Board; provided, however, that the signatures of at least two persons who shall be members of the Board or one member of the Board, and one agent who is not a member of the Board shall be required for the withdrawal of funds from the Association's reserve account.

12.3 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in such banks or other depositories as the Board shall, from time to time, determine.

12.4 Fiscal Year. The fiscal year of the Association shall run from January 1st through December 31st of each year unless otherwise determined by resolution of the Board.

12.5 Delivery of Documents to Members.

12.5.1 Document Distribution. All notices and documents distributed by the Association to the Members shall be delivered by one or more of the following methods:

12.5.1.1 Personal delivery.

12.5.1.2 First-class mail, postage prepaid, addressed to a Member at the address last shown on the books of the Association or otherwise provided by the Member. Delivery is deemed to be complete on deposit into the United States mail.

12.5.1.3 E-mail, facsimile, or other electronic means, if the Member has agreed to that method of delivery. If a document is delivered by electronic means, delivery is complete at the time of transmission.

12.5.1.4 By publication in a periodical that is circulated primarily to Members of the Association.

12.5.1.5 If the Association broadcasts television programming for the purpose of distributing information on Association business to its Members, by inclusion in the programming.

12.5.1.6 A method of delivery provided in a Recorded provision of the Governing Documents.

12.5.1.7 Any other method of delivery, provided that the Member has agreed to that method of delivery.

12.5.1.8 Delivery by a method allowed under the California Civil Code.

12.5.2 Delivery With Other Association Materials. A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by one of the methods provided in Subsection 12.5.1.

12.5.3 Delivery Procedures in Unrecorded Governing Documents. For the purposes of this Section 12.5, an unrecorded provision of the Governing Documents providing for a particular method of delivery does not constitute agreement by a Member to that method of delivery.

ARTICLE 13 AMENDMENTS

13.1 Amendment by Members. Except as otherwise expressly provided herein, these Bylaws may be amended by the affirmative vote representing at least a Simple Majority of a quorum of the Association.

13.2 Amendment by Board of Directors. Certain provisions of these Bylaws reflect legal requirements prescribed by Federal law, California law, and other governmental statutes and regulations. In the event that any such laws, statutes or regulations are amended, revoked, or supplemented, the Board of Directors may, by the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, amend these Bylaws to reflect the underlying law, statute or regulation. The purpose of this provision is to provide the Members with notice of current legal requirements which affect their rights and obligations as they pertain to their Lot and membership within the Association.

13.3 Restatements of Bylaws. The Board of Directors may, by the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, restate these Bylaws when it has been properly amended pursuant to this Article. Any such restatement shall supersede any prior bylaws and amendments in their entirety. Such restatement may also:

13.3.1 Add, delete, or rearrange the text of the Bylaws to maintain consistency with any amendments including, but not limited to, altering the title and numbering of the restatement;

13.3.2 Delete material that is no longer legally effective; and

13.3.3 Add text which indicates that the Board of Directors has authorized the restatement and otherwise describes the background of the Development and the restatement process.

ARTICLE 14 MISCELLANEOUS

In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

CERTIFICATE OF AMENDMENT AND ADOPTION

I hereby certify that:

- A. I am the Secretary of the Graeagle Meadows Homeowners' Association.
- B. The preceding Second Restated Bylaws of Graeagle Meadows Homeowners' Association, consisting of 30 pages, were duly approved by the required vote of the members of the Graeagle Meadows Homeowners' Association
- C. The preceding Second Restated Bylaws now constitute the bylaws of the Graeagle Meadows Homeowners' Association.

Executed: _____ 2014

(Print Name) , Secretary

Exhibit "A"

STATEMENT REGARDING INSURANCE COVERAGE

This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) of Section 1365 of the Civil Code (effective January 1, 2014, see Civil Code Section 5300), and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

EXHIBIT "B"

NOTICE REGARDING ASSESSMENTS AND FORECLOSURE

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code [prior to January 1, 2014, see Section 1367.4 of the Civil Code]. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5600 through 5740 of the Civil Code, inclusive [prior to January 1, 2014, see Sections 1366, 1367.1 and 1367.4 of the Civil Code].)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this (Civil Code Section 5600-5740 [prior to January 1, 2014, see Sections 1366 and 1367.1 of the Civil Code]).

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code [prior to January 1, 2014, see Section 1367.1 of the Civil Code], when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association (Civil Code Section 5650-5675 [prior to January 1, 2014, see Section 1367.1 of the Civil Code]).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt (Civil Code Section 5660-5675 [prior to January 1, 2014, see Section 1367.1 of the Civil Code]).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard (Civil Code Section 5685 [prior to January 1, 2014, see Section 1367.1 of the Civil Code]).

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments (Civil Code Section 5655 [prior to January 1, 2014, see Sections 1367.1 of the Civil Code]).

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code [prior to January 1, 2014, see Article 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code]. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code [prior to January 1, 2014, see Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code], if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time (Civil Code Section 5685 [prior to January 1, 2014, see Section 1367.1 of the Civil Code]).

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist (Civil Code Section 5665 [prior to January 1, 2014, see Section 1367.1 of the Civil Code]).

The board of the directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist (Civil Code Section 5665 [prior to January 1, 2014, see Section 1367.1 of the Civil Code]).