

SECOND RESTATED BYLAWS

OF

FOLSOM LAKE ESTATES HOMEOWNERS ASSOCIATION

If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

TABLE OF CONTENTS

SECOND RESTATED BYLAWS

OF

FOLSOM LAKE ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I Recitals and Definitions

 Section 1.01. Name of Association 1

 Section 1.02. Association is Nonprofit 1

 Section 1.03. Specific Purpose 1

 Section 1.04. Definitions 1

ARTICLE II Location of Principal Office 2

ARTICLE III Membership

 Section 3.01. Members of the Association 2

 Section 3.02. Term of Membership 2

 Section 3.03. Multiple Ownership of Lots 2

 Section 3.04. Furnishing Evidence of Membership 2

ARTICLE IV Membership Voting

 Section 4.01. Single Class of Membership 3

 Section 4.02. Member Voting Rights 3

 Section 4.03. Eligibility to Vote 3

 Section 4.04. Manner of Casting Votes 3

 Section 4.05. Majority Vote of Members Represented at
 Meeting Required for Valid Action 3

ARTICLE V Membership Meetings

 Section 5.01. Place of Meeting 4

 Section 5.02. Annual Meeting 4

 Section 5.03. Special Meetings 4

 Section 5.04. Notice of Members' Meetings 5

 Section 5.05. Quorum Requirements 6

 Section 5.06. Adjourned Meeting 6

 Section 5.07. Waiver of Notice or Consent by Absent Members 7

ARTICLE VI Membership Rights

 Section 6.01. Use and Enjoyment of Common Areas by Members and Family 7

 Section 6.02. Tenants and Lessees 7

 Section 6.03. Invitees and Guests 8

 Section 6.04. Association Rules and Regulations 8

ARTICLE VII	Board of Directors	
Section 7.01.	General Association Powers	8
Section 7.02.	Number and Qualification of Directors	9
Section 7.03.	Term of Office	9
Section 7.04.	Nomination for Election to the Board of Directors	9
Section 7.05.	Election of Directors	9
Section 7.06.	Uncontested Election of Directors	9
Section 7.07.	Vacancies on Board of Directors	9
ARTICLE VIII	Board Meetings	
Section 8.01.	Place of Meetings	10
Section 8.02.	Annual Meeting of the Board	10
Section 8.03.	Other Regular Meetings	10
Section 8.04.	Special Meetings of the Board	10
Section 8.05.	Telephonic Meetings	11
Section 8.06.	Board Meeting Notice	11
Section 8.07.	Open Meeting	12
Section 8.08.	Executive Sessions	12
Section 8.09.	Quorum Requirements	13
Section 8.10.	Waiver of Notice	13
Section 8.11.	Adjournment	13
Section 8.12.	Board Meeting Minutes	14
Section 8.13.	Compensation	14
ARTICLE IX	Duties and Powers of the Board	
Section 9.01.	Specific Powers	14
Section 9.02.	Specific Duties	16
Section 9.03.	Limitations on Powers	20
ARTICLE X	Committees	
Section 10.1.	Committees of the Board	21
Section 10.2.	Working Committees	21
Section 10.3.	Meetings and Actions of "Committees of the Board"	22
Section 10.4.	Effect of Working Committee Actions	22
Section 10.5.	Compensation of Committee Members	22
Section 10.6.	Architectural Committee	22
ARTICLE XI	Officers	
Section 11.01.	Officers	22
Section 11.02.	Election of Officers	22
Section 11.03.	Subordinate Officers	23
Section 11.04.	Removal of Officers	23
Section 11.05.	Resignation of Officers	23
Section 11.06.	Vacancies	23

Section 11.07.	President	23
Section 11.08.	Vice President	23
Section 11.09.	Secretary	23
Section 11.10.	Chief Financial Officer	24
ARTICLE XII Member Assessment Obligations and Association Finances		
Section 12.01.	Description of Assessments to Which Owners Are Subject	24
Section 12.02.	Checks	24
Section 12.03.	Operating Account	24
Section 12.04.	Other Accounts	24
ARTICLE XIII Inspection of Books and Records		
Section 13.01.	Member Inspection Rights	25
Section 13.02.	Director Inspection Rights	25
ARTICLE XIV Miscellaneous		
Section 14.01.	Property Manager	25
Section 14.02.	Robert's Rules of Order	25
Section 14.03.	Amendment or Repeal of Bylaws	25
Section 14.04.	Notice Requirements	26
Section 14.05.	Indemnification	26
Section 14.06.	Construction and Definitions	27
Section 14.07.	Successor Statutes	27
CERTIFICATE OF SECRETARY		27
EXHIBIT "A"	Current Version of Statement Required by California Civil Code Section 5300(b)(9)	17
EXHIBIT "B"	Current Version of Statement Required by California Civil Code Section 5730	19
EXHIBIT "C"	Current Version of Statement Required by California Civil Code Section 5965(a)	20

SECOND RESTATED BYLAWS
OF
FOLSOM LAKE ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I
Recitals and Definitions

Section 1.01. Name of Association. The name of this corporation is Folsom Lake Estates Homeowners Association and shall be referred to herein as the "Association."

Section 1.02. Association is Nonprofit. The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code, §7110 *et seq.*) as a nonprofit mutual benefit corporation. The Association is an association as defined by California Civil Code Section 4080.

Section 1.03. Specific Purpose. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Area and Common Facilities within the Folsom Lake Estates real estate common interest development located in the County of Placer, State of California, to enforce the Rules and Regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 1.04. Definitions.

- (a) County. "County" means the County of Placer, State of California.
- (b) Declaration. "Declaration" means the Declaration of Covenants, Conditions and Restrictions for Folsom Lake Estates, Recorded on February 27, 1976, in Book 1706, page 193, in the Official Records of Placer County, as such Declaration may be supplemented, amended or modified by a duly Recorded subsequent Declaration, or amendment thereto.
- (c) Election Rules. "Election Rules" means the rules and procedures adopted and amended by the Board in conformance with California Civil Code Section 5105 *et seq.*
- (d) General Notice. "General Notice" means providing a document in accordance with California Civil Code Section 4045(a).
- (e) Individual Delivery. "Individual Delivery" means delivery of a document in accordance with California Civil Code Section 4040(a).
- (f) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in Section 5.05, below.

(g) Voting Power. "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at the time any determination of the voting power is made.

(h) 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 II Location of Principal Office

The principal office of the Association will be located at such place within the County as the Board may from time to time designate by resolution.

ARTICLE III Membership

Section 3.01. Members of the Association. Every Owner of a Lot within the Properties is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot.

Section 3.02. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.01, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).

Section 3.03. Multiple Ownership of Lots. Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of said persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary of the Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one of the multiple Owners votes a membership, only the first ballot received shall be considered by the inspector of election.

Section 3.04. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Association's secretary in writing that he or she is qualified to be a Member under Section 3.01 above, and, if requested by the secretary, has provided the secretary with evidence of such qualification in the form of a certified copy of a recorded grant deed or a currently effective policy of title insurance. Exercise of membership rights shall be further subject to the rules regarding record dates set forth in Corporations Code Section 7611.

ARTICLE IV Membership Voting

Section 4.01. Single Class of Membership. The Association shall have one class of voting membership comprised of Owners of Lots within the Properties.

Section 4.02. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Lot owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in Section 3.03, above.

Section 4.03. Eligibility to Vote. Only Members in good standing shall be entitled to vote at any membership meeting. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lot(s) and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted by the Board. A Member's good standing shall be determined as of the record date established in accordance with Corporations Code Section 7611. In accordance with California Civil Code Section 5855, the Association shall be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments.

Section 4.04. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by ten percent (10%) of the Members present at the meeting.

(b) Voting by Written Ballot. In addition to voting at a meeting, Members' votes may be solicited by written ballot with respect to any issue other than the election of directors in accordance with Corporations Code Section 7513.

(c) Voting by Secret Ballot. If required by California law (including without limitation California Civil Code Section 5100 *et seq.*), elections regarding: (1) Assessments; (2) selection of directors; (3) removal of directors; (4) amendments to the Governing Documents; and (5) grants of exclusive use of Common Area property pursuant to California Civil Code Section 4600 shall be conducted by secret ballot in accordance with the procedures set forth in California Civil Code Section 5100 *et seq.*, or by any other method permitted by law. The votes required by California Civil Code Section 5100(a) to be held using specific procedures shall be conducted in accordance with Election Rules adopted by the Board.

(d) Cumulative Voting. Cumulative voting shall not be permitted.

Section 4.05. Majority Vote of Members Represented at Meeting Required for Valid Action. At a meeting, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and voting on any matter shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the

Governing Documents. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

ARTICLE V Membership Meetings

Section 5.01. Place of Meeting. Meetings of the Members shall be held at such location and on such date and at such time as may be designated by the Board in the notice of the meeting.

Section 5.02. Annual Meeting. There shall be an annual meeting of the Members in March of each year. The date, time and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members in accordance with Section 5.04, below.

Section 5.03. Special Meetings.

(a) Persons Entitled to Call Special Meetings. A majority of the Board, the president or five percent (5%) or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is requested in accordance with subsection (a) above, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered to the Association in accordance with California Civil Code Section 4035.

(i) Except as provided in subparagraph (ii) below, upon receipt of the request for a special membership meeting, the Association shall cause notice to be promptly given to the Members that a meeting will be held and the date, time, place and purpose for such meeting, which date shall not be less than 35 nor more than 90 days following the receipt of the request.

(ii) If the purpose for which the special meeting is requested is one of those purposes set forth in California Civil Section 5100(a), the Board shall cause notice of an upcoming vote by secret ballot to be given within 20 days following the receipt of the request. Ballots shall be sent out no sooner than 35 days following the receipt of the request and the balloting period shall end not more than 90 days following the receipt of the request.

If notice of the special meeting or upcoming secret ballot vote is not given within the 20 days after receipt of the Members' request, the Members requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a membership meeting may be held when the meeting is called by action of the Board or the President.

Section 5.04. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Corporations Code Section 7611.

(b) Time Requirements for Notice. Except as otherwise provided in subparagraph (b), above, (with respect to the calling of meetings in response to a Members' petition) the notice of membership meetings shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice of any membership meeting shall specify the place, date, and hour of the meeting and: (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted; or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) Manner of Service. Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either: (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office; or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time the notice is delivered to the Member personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the Member as specified above.

(e) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the secretary or the assistant secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence that proper notice was given.

Section 5.05. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid membership action:

(i) Quorum for Votes on Certain Assessment Increases and Special Assessments. In the case of any membership vote regarding (1) Regular Assessment increases requiring membership approval or (2) Special Assessments requiring membership approval, the quorum for valid action shall be a majority of all Members.

(ii) Quorum for Votes on Director Elections. In the case of any secret ballot conducted for the purpose of electing directors, the quorum for each election shall be the number of ballots received in such election.

(iii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or membership action for any other purpose, the quorum shall be 33⅓% of the Members eligible to vote.

(b) Effect of Departure of Members From Meeting. The Members present at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

Section 5.06. Adjourned Meeting.

(a) Adjournment, Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than forty-five (45) days) by the vote of the majority of Members present at the meeting. Unless there is an absence of a quorum (in which case no business, other than a vote to adjourn the meeting, may be transacted), the reconvened meeting may take any action which might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting consents to the meeting by signing: (i) a written waiver of notice; (ii) a consent to holding the meeting; or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Corporations Code Section 7511(f), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein pursuant to Corporations Code Section 7511(f), if that objection is expressly made at the meeting.

ARTICLE VI
Membership Rights

Subject to the provisions of these Bylaws and the Declaration, the Members shall have the following rights:

Section 6.01. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her Family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas, roads and Common Facilities within the Properties.

Section 6.02. Tenants and Lessees.

(a) Assignment of Rights, Generally. Each Member shall have the right to assign his or her rights as a Member to a tenant residing within the Member's Residence. Such assignment shall only be effective so long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents. Without limiting the foregoing, reference is specifically made to the Declaration for additional tenant and lease restrictions.

(b) Effectiveness of Assignment. Assignment of an Owner's right to use the Common Facilities (other than roads) to a tenant or lessee shall not be effective until such time as the Owner-Member has given the secretary or the Association's property manager written notice thereof setting forth the name of the tenant and the members of his or her family who will reside in the Residence with the tenant and therefore be entitled to use and enjoy the Common Areas, Common Facilities and roads within the Properties.

(c) Restriction on Lessor's Use of Certain Common Areas and Facilities. During the period of any lease or rental of a Lot, any Owner-lessor who is not residing in some other Residence within the Properties shall not be entitled to use the recreational Common Areas or Common Facilities. However the non-resident Owner shall have full rights to access his or her Residence to perform the usual responsibilities of landlord, including ensuring the tenant's compliance with the Governing Documents.

Section 6.03. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the roads, Common Areas and Common Facilities within the Properties, so long as the guest or invitee is in the company and supervision of the host Member. Any such guest or invitee shall be subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents. The requirement that an invitee be accompanied by the host Member shall not apply to any ingress or egress by the invitee to or from the Member's Residence.

Section 6.04. Association Rules and Regulations. The right of any person to use and enjoy the Properties (including the Common Areas and Common Facilities) shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Declaration and in the Association's published rules and regulations as promulgated by the Board from time to time. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Area and Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after the Member has been afforded the notice and hearing rights more particularly described in the Declaration.

ARTICLE VII Board of Directors

Section 7.01. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civ. Code, §4000 *et seq.*) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in Section 10.01, below, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Association

shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 7.02. Number and Qualification of Directors. The Board of Directors shall consist of five (5) persons who shall be Owners of Lots within the Properties and whose memberships are in good standing with all Assessments current and are not subject to any suspension of membership rights. Only one Owner per Lot shall be eligible to serve on the Board at any time.

Section 7.03. Term of Office. The directors of this Association shall serve for a term of two (2) years with three (3) directors elected in odd-numbered years and two (2) directors elected in even-numbered years. There shall be no limitation upon the number of consecutive terms to which a director may be reelected. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office until the expiration of the term for which elected or until a successor has been elected and qualified.

Section 7.04. Nomination for Election to the Board of Directors. Nominations for election to the Board shall be made in accordance with the Election Rules. In order to be eligible for nomination and election to the Board, a person must meet all of the qualifications set forth in Section 7.02 of these Bylaws, both at the time of nomination and at the time of election.

Section 7.05. Election of Directors. Except for uncontested elections governed by Section 7.06 of these Bylaws, election to the Board shall be by secret ballot in accordance with the Election Rules. At each election of directors, each Member may cast one vote for each seat being filled. The eligible candidates receiving the largest number of votes, up to the number of seats being filled, shall be elected and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by random drawing or other method of chance as determined by the inspector of elections.

Section 7.06. Uncontested Election of Directors. If after the close of nominations, the number of qualified people nominated for election to the Board of Directors is equal to or less than the number of directors to be elected, then those nominees who are qualified to be elected to the Board are deemed elected. 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 7.07 of these Bylaws.

Section 7.07. Vacancies on Board of Directors.

(a) Vacancies, Generally. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation or removal of a director pursuant to subparagraphs (c) and (d) hereof; (ii) an increase of the authorized number of directors; or (iii) the failure of the Members to elect the full authorized number of directors.

(b) Resignation of Directors. Except as provided in this subparagraph, any director may resign, which resignation shall be effective on giving written notice to the president, the secretary, or the Board of Directors, unless the notice specifies a later time for the resignation

to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; or (iii) fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California law.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraph (c) hereof, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members.

(e) Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director by action of the Members in which case the vacancy shall be filled by a vote of the Members. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors by an election at a duly held meeting of the Members or written ballot.

(f) Reduction in Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

ARTICLE VIII Board Meetings

Section 8.01. Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within the Properties or within reasonable proximity to the Properties that has been stated in the notice of the meeting. Notwithstanding the above provisions of this section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Section 8.02. Annual Meeting of the Board. Immediately following each annual election of directors, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business.

Section 8.03. Other Regular Meetings. Other regular meetings of the Board shall be held at such time as shall from time to time be fixed by the Board of Directors. Ordinarily, regular meetings shall be conducted at least monthly; provided, however, that regular meetings can be held as infrequently as every six (6) months if the Board's business does not justify more frequent meetings.

Section 8.04. Special Meetings of the Board. Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two directors.

Section 8.05. Telephonic Meetings. Any Board meeting, open or executive session, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another. Any director who participates telephonically shall be deemed to be present in person at such meeting. Members shall be entitled to attend the portion of a teleconference meeting that is open to Members, and that portion of the meeting shall be audible to the Members in a location specified in the notice of the meeting with at least one director, or a person designated by the Board, physically present at that location.

Section 8.06. Board Meeting Notice.

(a) Notice to Directors.

(i) Regular Meetings. If the specific date, time and place of regular Board meetings are fixed in advance by the Board, no notice need be given to directors. If the specific date, time and place of regular Board meetings are not so fixed, then directors shall receive four days' notice by first-class mail or 48 hours' notice delivered personally, by telephone (including a voice messaging system) or by electronic transmission, including, without limitation, e-mail. Notice given to directors hereunder need not specify the purpose of the regular Board meeting.

(ii) Special Meetings. Directors shall receive four days' notice by first-class mail or 48 hours' notice delivered personally, by telephone (including a voice messaging system) or by electronic transmission. Notice given to directors hereunder need not specify the purpose of the special Board meeting.

(iii) Waiver of Notice; Consent. Notice of a Board meeting need not be given to any director who provided a waiver of notice or consent to holding the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that director. These waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(b) Notice to Members.

(i) Open Meetings. Except for "emergency meetings" (as defined in California Civil Code Section 4923) and executive sessions (discussed in subsection (ii) below), at least four days' prior written notice of the date, time, and place of regular and special Board meetings shall be given to Members in the manner set forth in subsection (iii) below.

(ii) Executive Sessions. At least two days' prior written notice of the date, time, and place of executive sessions shall be given to Members in the manner set forth in subsection (iii) below. In case of an emergency, the Board may conduct an executive session meeting with less than two days' notice,

however, it shall be the burden of the person(s) calling the "emergency" special meeting to justify reduction of the required notice time.

(iii) Manner of Giving Notice. Notice required by this subsection (b) shall be given by posting the notice in a prominent place or places within the Common Area and by mailing the same to any Member who has requested notification of Board meetings by mail at the address requested by the Member. Notice of Board meetings may also be given to Members by: (A) mail or delivery to each Lot; (B) newsletter; or (C) other means of communication reasonably designed to provide prior actual notice of such meeting. The notice shall contain the agenda for the meeting.

(iv) Special Rules when Meeting to Impose Discipline or an Individual Assessment Against a Member. In addition to the foregoing notice requirements to Members, when the Board is to meet to consider or impose discipline upon a Member, or to impose an Assessment to reimburse the Association for costs incurred by the Association in the repair of damage to Common Area or facilities caused by a Member or the Member's guest or tenant, the Board shall notify the Member in writing, by either personal delivery or Individual Delivery, at least 10 days prior to the date of the meeting. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which the Member may be disciplined or the nature of the damage to the Common Area or facilities for which the Assessment may be imposed, and a statement that the Member has a right to attend the meeting and may address the Board at the meeting.

Section 8.07. Open Meeting. Regular and special Board meetings shall be open to all Members except when the Board meets in executive session. The Board shall permit any Member to speak at any Board meeting, except for Board meetings that are held in executive session. The Board may establish a reasonable time limit for Members to speak at a Board meeting, and the agenda for the meeting can designate a specific time for Member statements and comments.

Section 8.08. Executive Sessions.

(a) Generally. Pursuant to California Civil Code Section 4935(a), the Board may adjourn to, or meet solely in, executive session to consider litigation, matters relating to the formation of contracts with third parties, Member discipline, personnel matters, or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments, as specified in California Civil Code Section 5665. Only directors, and any other persons authorized by the Board, shall be entitled to attend executive sessions. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership.

(b) Mandatory Executive Sessions.

(i) Member Discipline. Pursuant to California Civil Code Section 4935(b), the Board shall adjourn to, or meet solely in, executive session to discuss member discipline, if requested by the Member who is the subject of the discussion. That Member shall be entitled to attend the executive session.

(ii) Payment Plan. Pursuant to California Civil Code Section 4935(c), the Board shall adjourn to, or meet solely in, executive session to discuss a payment plan pursuant to California Civil Code Section 5665.

(iii) Foreclosure of a Lien. Pursuant to California Civil Code Section 4935(d), the Board shall adjourn to, or meet solely in, executive session to decide whether to foreclose on a lien pursuant to California Civil Code Section 5705(b).

Section 8.09. Quorum Requirements. A majority of the number of directors then in office shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 8.11, below. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to: (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest; (ii) appointment of committees; and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles or by law.

Section 8.10. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present; and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8.11. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as hereinabove provided, notice of adjournment need not be given.

Section 8.12. Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any Board meeting, other than minutes of an executive session, shall be available to the Members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs in making that distribution.

Section 8.13. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX Duties and Powers of the Board

Section 9.01. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Section 7.01 of these Bylaws, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the Association's property manager (subject to any contractual commitments which may exist), and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) Adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Properties (including the Common Areas, the Common Facilities and roads within the Properties), and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any recreational Common Facilities; provided notice and a hearing are provided as more particularly set forth in the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants. Any rules and regulations shall be adopted in accordance with the applicable provisions of California Civil Code Section 4340 *et seq.*

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Lots, Common Areas, Common Facilities and the private streets within the Properties.

(f) Contract for and pay premiums for fire, casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time by the Association.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor and services that may be required from time to time in relation to the Properties.

(h) Pay all taxes, special assessments and other assessments and charges which are or would become a lien on any portion of the Common Areas.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Properties which have been damaged or destroyed and which are to be rebuilt.

(j) Delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board, subject to the limitations expressed in Section 10.01, below.

(k) Levy and collect Assessments from the Members of the Association in accordance with the Declaration and establish and collect reasonable user charges or fees for any or all Common Area recreational facilities in order to equitably allocate the cost of such facilities among users and nonusers.

(l) Perform all acts required of the Board under the Declaration.

(m) Appoint such committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with Article X, below.

(n) Fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member.

(o) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(p) Bring and defend actions on behalf of the Members in common or the Association to protect the interests of the Members in common or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation.

(q) Enter Lots as necessary, subject to the notice requirements set forth in the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common.

(r) Any vacant lot which has accumulated weeds, rubbish and/or refuse shall be deemed a nuisance. The Board of Directors, after a 30-day written notice to Owner, shall have the right to (i) enter upon the Lot; (ii) allow access to the Lot to a licensed and insured contractor specializing in lot clearing; and (iii) direct the contractor to clear accumulated weeds, rubbish and/or refuse from the Lot. Charges for work performed will be paid for by the Owner of such Lot. In the event the Owner fails to reimburse the Association within sixty days of the

billing action, the Association will have the right to place a lien on the Lot and/or file for judgment in Small Claims Court. Any judgment rendered hereunder shall include interest, reasonable attorney fees and court costs.

Section 9.02. Specific Duties. It shall be the duty of the Board of Directors to:

(a) 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.

(b) Annual Budget Report. In accordance with California Civil Code Section 5300 and California Civil Code Section 5320, distribute an "annual budget report" to all Members. The annual budget report shall be distributed no less than 30 days or more than 90 days before the end of the Association's fiscal year, and shall include all of the following information/items:

(i) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(ii) A summary of the Association's reserves, prepared pursuant to California Civil Code Section 5565.

(iii) A summary of the reserve funding plan adopted by the Board, as specified in California Civil Code Section 5550(b)(5). The summary shall include notice to the 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.

(iv) A statement as to whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(v) A statement as to whether the Board, consistent with the reserve funding plan adopted pursuant to California Civil Code Section 5560, 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 Special Assessment(s).

(vi) A statement as to the mechanism or mechanisms by which the Board will fund reserves to repair or replace major components, including Assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(vii) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in California Civil Code Section 5570(b)(4), and may not assume a rate of return on cash reserves in excess of 2% above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(viii) A statement as to 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.

(ix) A summary of the Association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the statement required by California Civil Code Section 5300(b)(9), the current version of which is set forth on attached Exhibit "A".

(x) The Assessment and Reserve Funding Disclosure Summary form prepared pursuant to California Civil Code Section 5570.

(c) Reserve Study. In accordance with California Civil Code Section 5550 *et seq.*, at least once every three years, cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that 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 the major components is equal to or greater than one-half of the gross budget of the Association, excluding the Association's reserve account for that period. The Board shall review this 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 study shall at a minimum include the items identified in California Civil Code Section 5550(b).

(d) Reserve Funds. Not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain, and for which the reserve fund was established; provided, however, that the Board may 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; and provided further that any such transferred funds shall be restored to the reserve fund within three years 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.

(e) 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.

(f) Review of Accounts. On at least a quarterly basis:

(i) Review a current reconciliation of the Association's operating accounts;

(ii) Review a current reconciliation of the Association's reserve accounts;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and

(v) Review an income and expense statement for the Association's operating and reserve accounts.

As used in this subsection, the term "reserve accounts" shall mean monies that the Board has identified in its annual budget for use to defray the future costs of repair or replacement of, or additions to, those major components which the Association is obligated to maintain, restore, repair, or replace.

(g) Annual Financial Statements.

(i) In accordance with California Corporations Code Section 8321, cause an annual report to be prepared not later than 120 days after the close of any fiscal year in which the gross revenues or receipts exceeds \$10,000. Such annual report shall contain in appropriate detail: (i) a balance sheet as of the end of that fiscal year, (ii) an income statement and a statement of cashflows for that fiscal year, (iii) a statement of the place where the names and addresses of the current Members are located, and (iv) any information required by California Corporations Code Section 8322.

The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no report, the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association. The Association shall notify each Member yearly of the Member's right to receive the annual report. Upon written request

by a Member, the Board shall promptly cause the most recent annual report to be sent to the requesting Member.

(ii) In accordance with California Civil Code Section 5305, (i) cause a review of the financial statements of the Association to be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the Association exceeds \$75,000, and (ii) distribute a copy of such review to the Members within 120 days after the close of each fiscal year, by Individual Delivery.

(h) Annual Policy Statement. In accordance with California Civil Code Section 5310 and California Civil Code Section 5320, no less than 30 days or more than 90 days before the end of the Association's fiscal year, distribute to all Members an "annual policy statement" that provides the Members with information about Association policies. The annual policy statement shall include all of the following information:

(i) The name and address of the person designated to receive official communications to the Association, pursuant to California Civil Code Section 4035.

(ii) A statement explaining that a member may submit a request to have notices sent to up to two different specified addresses, pursuant to California Civil Code Section 4040(b).

(iii) The location, if any, designated for posting of a General Notice, pursuant to California Civil Code Section 4045(a)(3).

(iv) Notice of a Member's option to receive General Notices by Individual Delivery, pursuant to California Civil Code Section 4045(b).

(v) Notice of a Member's right to receive copies of Board meeting minutes, pursuant to California Civil Code Section 4950(b).

(vi) The statement of Assessment collection policies required by California Civil Code Section 5730, the current version of which is set forth on attached Exhibit "B".

(vii) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of Assessments.

(viii) A statement describing the Association's discipline policy, if any, including any schedule of penalties for violations of the Governing Documents pursuant to California Civil Code Section 5850.

(ix) A summary of dispute resolution procedures, pursuant to California Civil Code Section 5920 and California Civil Code Section 5965. The summary shall include the statement required by California Civil Code Section 5965(a), the current version of which is set forth on attached Exhibit "C".

(x) A summary of any requirements for Association approval of a physical change to property, pursuant to California Civil Code Section 4765.

(xi) The mailing address for overnight payment of Assessments, pursuant to Section 5655.

(xii) Any other information that is required by law or the governing documents or that the Board determines to be appropriate for inclusion.

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

(j) Notice of Assessments. As more fully provided in the Declaration, (i) send written notice to each Owner in advance of each fiscal year of the Annual Assessment levied against his or her Lot for that fiscal year; and (ii) 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.

(k) 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.

(l) 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.

Section 9.03. Limitations on Powers. Without the vote or written assent of a Majority of a Quorum of the Members of the Association, the Board of Directors shall not take any of the following actions:

(a) Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one year. This restriction shall not apply to: (i) FHA or VA approved management contracts; (ii) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; or (iii) prepaid casualty or liability insurance policies not to exceed three (3) years duration; provided the policies provide for short rate cancellation by the insured.

(b) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that year; provided however, that this limitation shall not apply to the sale or other disposition of Lots acquired by the Association in foreclosure proceedings.

(c) Pay compensation to members of the Board of Directors or officers of the Association; provided that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

(d) Fill any vacancy on the Board of Directors created by the removal of a director by action of the Members.

ARTICLE X Committees

Section 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 directors and shall have such powers and duties as the Board shall determine, subject to the limitations of California Corporations Code Section 7212.

Section 10.2. Working Committees. The Board may create working committees with as many members as the Board deems advisable in accordance with the following guidelines:

(a) 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 at one time.

(b) The Board of Directors shall select the chair of each working committee. Subject to the approval of the Board, the chair shall appoint the number of additional members of the committee authorized by the Board.

(c) The Board of Directors shall have the right at any time, and in its complete discretion, to remove any member of a working committee, including the chair. In the event of death or resignation of any member of a working committee, the chair shall have the full authority to designate a successor, subject to the approval of the Board.

(d) Each working committee shall report on their activities to the Board from time to time as directed by the Board and shall operate under the supervision and at the direction of the Board.

(e) No working committee shall have the authority to enter into contracts or otherwise act on behalf of the Association.

(f) The Board of Directors shall have the right at any time, in its complete discretion, to disband any working committee.

Section 10.3. Meetings and Actions of "Committees of the Board". Meetings and actions of "Committees of the Board" shall be governed by, and held and taken in accordance with, the provisions of Article VIII of these Bylaws, concerning meetings of directors, with such changes in the context as are necessary. The time for regular meetings of Committees of the Board may be determined either by resolution of the Board or by resolution of the Committee of the Board. Special meetings of Committees of the Board may also be called by resolution of the Board. Notice of special meetings of Committees of the Board shall be given to all Committee members. Minutes shall be kept of each meeting of any Committee of the Board and shall be filed with the Association records. The Board may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any Committee of the Board.

Section 10.4. Effect of Working Committee Actions. Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a working committee, all actions of any working committee shall be considered advisory to the Board and shall be scheduled on the agenda of the next Board meeting following the working committee's action or decision for affirmation, rescission, or modification, as the Board in its discretion deems appropriate.

Section 10.5. 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 expenses actually incurred in the performance of his or her duties.

Section 10.6. Architectural Committee. The Architectural Committee established pursuant to Article VI of the Declaration is not a "Committee of the Board" or a "working committee", because (1) it does not exercise powers of the Board but instead has its own independent power to review and approve/disapprove certain proposed architectural changes within the Properties and (2) it does not operate under the supervision of or at the direction of the Board (however, its decisions are appealable to, and reviewable by, the Board under some circumstances - see California Civil Code Section 4765(a)(5).

ARTICLE XI Officers

Section 11.01. Officers. The officers of the Association shall be a president, a vice president, a secretary and a chief financial officer (who shall be known as treasurer). The Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.03, below. Any person may hold two or more offices, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 11.02. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.03 and 11.06, below, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve,

or his or her successor shall be elected and qualified. Other than officers appointed pursuant to Section 11.03, below, all officers shall also be directors.

Section 11.03. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 11.04. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 11.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 11.07. President. The president shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 11.08. 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 the powers of, and be subject to all the restrictions upon, the president. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09. Secretary. The secretary shall: (i) keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members; (ii) keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses; (iii) give, or cause to be given, notice of all meetings of the Board and the Members required by the Bylaws or by law to be given; (iv) keep the seal of the Association in safe custody; and (v) perform such other duties and responsibilities as may be prescribed by the Board or by the Bylaws. At a minimum, the minutes shall note the date, time and location of the meeting, the persons in attendance, a general description of the matters discussed and an accurate record of the actions taken or duly approved by the Board or the members, as the case may be.

Section 11.10. Chief Financial Officer. The chief financial officer, who shall be known as the treasurer, shall: (i) keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements; (ii) deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board; (iii) disburse the funds of the Association as may be ordered by the Board; (iv) render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Association; and (v) exercise such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII Member Assessment Obligations and Association Finances

Section 12.01. Description of Assessments to Which Owners Are Subject. Owners of Lots within the Properties are subject to Regular, Special and Special Individual Assessments as more particularly described in Article IV of the Declaration.

Section 12.02. Checks. All checks or demands for money and notes of the Association shall be signed by the president and treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of two directors.

Section 12.03. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Properties.

Section 12.04. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including and in accordance with California Civil Code Section 4177, reserve accounts for (a) replacement of capital improvements as more particularly set forth in Article IV of the Declaration; or (b) funds received and not yet expended or disposed from either a compensatory damage award or settlement for injury to real or personal property as a result of any construction or design defects. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

ARTICLE XIII
Inspection of Books and Records

Section 13.01. Member Inspection Rights. All records of the Association required under California Civil Code Section 5200 to be made available to Members for inspection shall be made available to any Member at any reasonable time and for a purpose reasonably related to its interest as a Member, subject to the conditions set forth in California Civil Code Section 5200 *et seq.* The Board may establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the actual costs of the procurement, preparation, reproduction, and delivery of the documents requested by the Member.

Section 13.02. Director Inspection Rights. Except as otherwise limited by law, every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents. A director's rights under this subparagraph does not include the right to share any such books, records, documents or minutes, in whole or in part, or any information contained therein, with persons who are not directors, without the Board's approval.

ARTICLE XIV
Miscellaneous

Section 14.01. Property Manager. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the manager shall at all times remain subject to the general control of the Board.

Section 14.02. Robert's Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 14.03. Amendment or Repeal of Bylaws.

(a) Generally. Except as otherwise expressly provided herein, these Bylaws may only be amended or repealed, and new Bylaws adopted by the approval of a Majority of a Quorum of the Members; provided that if any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended or repealed

except by such greater vote, unless otherwise specifically provided herein. Any amendment to these Bylaws shall become effective immediately upon approval by the Members. The secretary of the Association shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Association's corporate records.

(b) Amendments to Comply with Statutory Requirements. Notwithstanding the foregoing, amendments to the Bylaws made solely for the purpose of complying with statutory changes in California law may be approved by the Board only.

Section 14.04. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: If to the Association or the Board of Directors at the principal office of the Association as designated from time to time by written notice to the Members; if to a director, at the address from time to time given by such director to the secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any Lot within the Properties owned by such Member.

Section 14.05. Indemnification.

(a) Indemnification by Association of Directors, and Officers. To the fullest extent permitted by law, the Association shall indemnify its directors and officers, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a director or officer. The term "Expenses," as used in this section, shall have the same meaning as in Corporations Code Section 7237(a).

(b) Approval of Indemnity by Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met and, if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met and, if it has, the Members present at the meeting shall authorize indemnification.

(c) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director or officer seeking indemnification under subparagraphs (a) and (b) of this section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition

of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(d) Insurance. The Association shall have the power to purchase and maintain insurance on behalf of its directors and officers against other liability asserted against or incurred by any director or officer in such capacity or arising out of the director's or officer's status as such.

Section 14.06. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

Section 14.07. Successor Statutes. Any reference in these Bylaws to a specific statute shall be deemed to be a reference to any comparable successor statute if such referred-to statute is subsequently amended or renumbered by the legislative body having such power.

CERTIFICATE OF SECRETARY

The undersigned, secretary of the corporation known as Folsom Lake Estates Homeowners Association, hereby certifies that the above and foregoing Second Restated Bylaws were duly adopted by a Majority of a Quorum of the Members of the Association on _____, and that they now constitute the Bylaws of the Association.

_____, Secretary

EXHIBIT "A"

STATEMENT REGARDING INSURANCE COVERAGE

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, 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. 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 5700 through 5720 of the Civil Code, inclusive)

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 area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 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 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. (Section 5675 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. (Section 5660 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. (Section 5685 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, the owner 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. (Section 5655 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. 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, 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. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest 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 exists. (Section 5665 of the Civil Code)

The board 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. (Section 5665 of the Civil Code)

EXHIBIT "C"

STATEMENT REGARDING ALTERNATIVE DISPUTE RESOLUTION

Failure of a Member of the Association to comply with the alternative dispute resolution requirements of California Civil Code Section 5930 may result in the loss of the Member's right to sue the Association or another Member of the Association regarding enforcement of the Governing Documents or the applicable law.