

**AMENDMENT AND RESTATEMENT OF
BYLAWS
OF
CANON DEL SOL
HOMEOWNERS ASSOCIATION**

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AMENDMENT AND RESTATEMENT OF BYLAWS
OF
CANON DEL SOL HOMEOWNERS ASSOCIATION

This Amendment and Restatement of Bylaws of CANON DEL SOL HOMEOWNERS ASSOCIATION is adopted pursuant to the consent of members representing at least a majority of a quorum of the total voting power of the Association. The Bylaws are hereby amended to read as follows:

ARTICLE I
DEFINITIONS

“Declaration” shall mean and refer to that certain Declaration of Covenants, Conditions and Restrictions for the Association, as amended from time to time, as therein provided, originally recorded on February 17, 1981 in Volume 3296, Page 97 of the Official Records of Santa Cruz County (“Official Records”), and as amended by the First Amendment to Canon Del Sol Declaration of Covenants, Conditions and Restrictions recorded on September 30, 1982 in Book 3488, Page 197 of the Official Records, by the Second Amendment to Canon Del Sol Declaration of Covenants, Conditions and Restrictions recorded on July 19, 1983 in Book 3597, Page 720 of the Official Records, and as amended and restated by the Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded on _____ as Inst. No. _____ of the Official Records. The definitions contained in the Declaration are incorporated herein by this reference.

ARTICLE II LOCATION

The principal office of the Association shall be located at any place in the County of Santa Cruz designated by the Board from time to time.

ARTICLE III MEMBERSHIP

Section 3.01. Eligibility. Each Owner of a Lot in the Project shall, by virtue of being such an Owner, and for so long as such person or entity is such an Owner, be a Member of the Association, provided that any such person or entity having such interest merely as security for the performance of an obligation shall not be a Member. The Association membership of each Owner and the right to vote shall be appurtenant to, and may not be separated from, the fee ownership of any Lot in the Project; provided, however, that if a Lot is sold under a contract of sale and the contract of sale is recorded and the Association has received written notice of the recorded contract, then the right to vote shall be appurtenant to the equitable ownership of the Lot. Ownership of a Lot shall be the sole qualification for membership. Every Member of the Association shall be subject to and shall abide by the provisions of the Declaration, the Articles of Incorporation, these Bylaws, and the Rules.

Section 3.02. Transfer. The Association membership held by any record Owner of a Lot in the Association shall not be transferred, pledged or alienated in any way, except upon the sale or assignment of such Lot and then only to the purchaser or assignee thereof. Any transfer of title to a Lot shall operate automatically to transfer said

membership to the new Owner thereof. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event any Owner should fail or refuse to transfer the membership registered in his or her name to the purchaser or assignee, the Association shall have the right to record the transfer upon the books of the Association. In the event of dispute as to membership, the ownership of such Lot, as shown in the public records of the County of Santa Cruz, State of California, shall be determinative thereof.

Section 3.03. Assessments. The rights of membership are subject to the payment of annual and special assessments levied by the Association, the obligation of which assessments is imposed against each owner of and becomes a lien upon the property against which such assessments are made as provided by Article IV of the Declaration.

ARTICLE IV VOTING RIGHTS AND NOTICES

Section 4.01. One Class. The Association shall have one class of voting membership.

Section 4.02. One Vote. Each member shall have one vote for each Lot in which he/she holds the interest required for membership; provided, however, that a Member's right to vote may be suspended by the Association as a disciplinary measure after proper notice and hearing procedures. Where more than one person holds such interest in any Lot, all such persons shall be eligible for membership and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any such Lot. In the event the joint owners are unable to agree

among themselves as to how their vote or votes should be cast, they shall lose their right to vote on the matter in question. If any owner casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that the party or parties casting the vote were acting with the authority and consent of all owners of the same Lot.

Section 4.03. Notices. Unless otherwise specified, any notice required to be given to any Owner shall be given personally, or by first-class, registered or certified mail addressed to the Owner at the address of such Owner appearing on the books of the Association or given by the Owner to the Association for purpose of notice. If no address appears or is given by any Owner, notice may be given at the Association's principal office or by publication at least once in a newspaper of general circulation. For the purpose of giving notice, a single notice to a family unit, or to one of several co-owners of a Lot, shall be sufficient. Notice or delivery of any document may also be made by e-mail, facsimile or other electronic means if the recipient has agreed to that method of delivery. Delivery by electronic means shall be complete at the time of transmission. Notice or delivery of any document may also be made by any other method provided that the recipient has agreed to that method of delivery. A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by an acceptable means of delivery.

Section 4.04. Eligibility to Vote. Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. To be in good standing, a Member must be current in the payment of all assessments levied against

the Member's Lot and not subject to any suspension of voting privileges as a result of any disciplinary proceeding. A Member's good standing shall be determined as of the record date established in accordance with Section 4.05 hereof. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request a hearing.

Section 4.05. Record Dates.

(a) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of the Members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(b) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of the Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(c) Record Date for Action by Written Ballot. The record date for determining those Members entitled to vote by written ballot on proposed Association actions shall be the day on which the first written ballot is mailed or solicited.

Section 4.06. Transfer of Voting Rights. Except as otherwise herein provided, the right to vote may not be severed or separated from the ownership of the Lot to which it is appurtenant, except that any Member may give a revocable proxy to any person.

Section 4.07. Disciplinary Notice; Procedural Requirements. The

Association may impose fines or take disciplinary action against any Owner for failure to pay Assessments or for violation of any provision of the Governing Documents.

Penalties may include but are not limited to: fines, temporary suspension of voting rights, or other appropriate discipline. The Board shall adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties (“Schedule”) that may be assessed for violations of the Governing Documents. The Board shall redistribute such Schedule to all Members upon adopting any change to the Schedule.

When the Board is to meet to consider or impose discipline upon a Member, the Board shall notify the Member in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the meeting. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which the Member may be disciplined, and a statement that the Member has a right to attend and may address the Board at the meeting. The Board shall meet in executive session if requested by the Member. If the Board imposes discipline on the Member, the Board shall provide the Member a written notification of the disciplinary action, by either personal delivery or first-class mail, within 15 days following the action. This Association shall not impose or collect an Assessment, penalty, or fee that is unreasonable or that exceeds the amount that is necessary for the purpose or purposes for which it is levied.

**ARTICLE V
COMMON AREAS**

Section 5.01. Common Areas. Each Owner shall be entitled to the use and benefit of the Common Areas as provided in the Declaration, subject to the following powers of the Association:

(a) To borrow money for the purpose of improving the Common Areas and in aid thereof to encumber or mortgage said Common Area; and

(b) To take such steps as are reasonably necessary to protect the Common Areas against foreclosure; and

(c) To suspend the rights and privileges of any Owner for any period during which any Assessment levied against the Owner's Lot remains unpaid; and for a period not to exceed thirty (30) days for any infraction of the Rules of the Association; and

(d) To dedicate the Common Areas as set forth in the Declaration.

Section 5.02. Delegation. Any Owner may delegate his/her rights of use and enjoyment of the Common Areas to the members of his family who reside in the Owner's Residence or to any of the Owner's tenants who reside in the Residence. Such Owner shall notify the Secretary of the Association in writing of the name of any such person or persons and of the relationship of the Owner to such person. During the time when an Owner has delegated his/her rights of use, the Owner shall not utilize the Common Area facilities.

Section 6.01. Board of Directors. The affairs of the Association shall be managed by a Board of Directors, consisting of five persons, all of whom must be Members of the Association, or a principal, officer, Director, employee or agent of a Member that is not a natural person. Each Director shall be in good standing with the Association. If a Director has his/her voting privileges suspended during the Director's term, the Director shall not be entitled to vote on any matters during such suspension, either in such Director's capacity as a Director or as a Member. The Directors shall serve two (2) year terms. The presence of a majority of the members of the Board of Directors at any meeting shall constitute a quorum for the transaction of business. The vote of a majority of a quorum of the Board of Directors shall be required for any action taken by authority of the Board of Directors.

Section 6.02. Nomination. Nomination for election to the Board shall be made by a nominating committee. The nominating committee shall consist of a chairperson, who shall be a Director, and two or more Members. The committee shall be appointed by the Board and shall be announced at least 45 days prior to each annual meeting. Members of the nominating committee shall serve from the close of the meeting at which their appointments are announced until the close of the annual membership meeting. The nominating committee shall make as many nominations for election to the Board as it determines in its discretion; provided, however, that there must be at least as many

nominations as there are vacancies to be filled. Any Member may nominate himself or herself.

Section 6.03. Powers of Board of Directors. Subject to limitations of the Articles of Incorporation, the Declaration, these Bylaws, and the laws of the State of California, as to action required to be authorized or approved by the Members, and subject to the duties of Directors as prescribed by these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by, the Board. Without prejudice to such general powers but subject to the same limitations, it is hereby expressly declared that the Directors shall have the following powers, to wit:

A. Easements. The Board shall have authority, by document signed by the President and the Secretary, to grant permits, licenses, and easements in addition to those shown on the Map when necessary for roads, utilities, cable television, and sewer facilities over the Common Areas to serve the common and open space areas and the Lots, or when necessary to satisfy or achieve an appropriate governmental purpose or request.

B. Manager. The Board may employ a manager or other persons and contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Board, except for the responsibility to levy fines, impose

discipline, hold hearings, file suit, record or foreclose liens, or make capital expenditures.

C. Adoption of Rules. The Board may adopt reasonable rules that are not inconsistent with this Declaration relating to the use of the Common Areas and all its facilities and the conduct of Owners and their tenants and guests with respect to the Project and other Owners. Written copies of the Rules, and any schedule of fines and penalties adopted by the Board (“Schedule”), and any amendments, shall be furnished to Owners by personal delivery or first-class mail at least 30 days before the effective date of the Rules/Schedule, or amendments thereto. The notice required for any Rule change shall include the text of the proposed rule change and a description of the purpose and effect of the proposed Rule change. Notwithstanding the foregoing, notice is not required 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. A decision on a proposed Rule change shall be made at a meeting of the Board, after consideration of any comments made by Members. As soon as possible after making a Rule change, but not more than 15 days after making the Rule change, the Board shall deliver notice of the Rule change to every Member. If the rule change was an emergency rule change, 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.

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, the Board may make an emergency Rule change, and no notice is required. An emergency Rule change shall be effective for 120 days, unless the rule change provides for a shorter effective period. An emergency Rule change may not be readopted as an emergency Rule change.

D. Access. For the purpose of performing construction, maintenance, or emergency repair for the benefit of the Common Areas or the Owners in common, or to perform maintenance work that an Owner has failed to perform, the Association's agents or employees shall have the right, after reasonable notice (in no case less than 24 hours except in emergencies) to the Owner of the Lot on which maintenance work has not been performed, to enter that Lot or to enter any portion of the Common Areas at reasonable hours. Entry shall be made with as little inconvenience to the Owner as practicable, and any damage caused by that entry shall be repaired by the Board at the expense of the Association.

E. Assessments, Liens, Penalties and Fines. The Board shall have the power to levy and collect assessments in accordance with the provisions of Article IV of the Declaration. The Board may impose fines or take disciplinary action against any Owner for failure to pay assessments or for violation of any provision of the Governing Documents. Penalties may include, but are not limited to, fines,

temporary suspension of voting rights or rights to the use of Common Areas recreational facilities, or other appropriate discipline, provided the Member is given notice and an opportunity to be heard as provided in the Bylaws before the imposition of any fine or disciplinary action. The Board shall have the power to adopt a Schedule of reasonable fines and penalties for violations of the terms of the Governing Documents. The penalties prescribed may include suspension of all rights and privileges of membership; provided, however, that suspension for failure to pay assessments shall be for a maximum period of 30 days, renewable by the Board for an additional 30-day period or periods until paid; and provided further that suspension for infraction of the Rules or violation of the Declaration, other than for failure to pay assessments, shall be limited to a maximum period of 30 days per infraction or violation, and shall be imposed only after an opportunity to be heard before the Board. The Board may extend that period for an additional 30-day period or periods in the case of a continuing infraction or violation, and no hearing need be held for the extension. Written copies of the Rules and the Schedule shall be furnished to Owners. The Board shall levy fines and penalties and shall enforce assessments as appropriate under applicable law.

Notwithstanding any other provision of this Declaration, neither the Board nor the Association shall have the power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his/her individually owned Lot including access thereto over and across the Common Areas, because of such

Owner's failure to comply with the provisions of this Declaration or of the Bylaws or any Rules adopted by the Association except when such loss or forfeiture is the result of a judgment of a court, a decision out of binding arbitration or on account of a Foreclosure, or under the power of sale granted herein for failure to pay assessments. In the event legal action is instituted by the Board pursuant to this section, any judgment rendered in any such action shall include costs of collection, court costs, litigation expenses and reasonable attorneys' fees.

F. Enforcement. The Board shall have the authority to enforce the Declaration, the Bylaws and the Rules.

G. Acquisition and Disposition of Property. The Board shall have the power to acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real or personal property in connection with the affairs of the Association. Any transfer of property shall be by document signed or approved by three-fourths (3/4) of the total voting power of the Association.

H. Loans. The Board shall have the power to borrow money and, only with the assent (by vote or written consent) of three-fourths (3/4) of the total voting power of the Association, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

I. Dedication. The Association shall have the power to dedicate all or any part of the Common Areas to any public agency, authority, or utility for those purposes and subject to those conditions as may be agreed to by the Members. No dedication shall be effective unless an instrument has been signed by three-fourths (3/4) of the total voting power of the Association agreeing to the dedication.

J. Contracts. The Board shall have the power to contract for goods or services for the Common Areas, for the Lots, or for the Association, subject to limitations set forth herein and in the Declaration.

K. Delegation. The Association, the Board, and the officers of the Association shall have the power to delegate their authority and powers to committees, officers, or employees of the Association, or to a manager employed by the Association, provided that the Board shall not delegate its responsibility:

- (1) To make expenditures for capital additions or improvements chargeable against the reserve funds;
- (2) To conduct hearings concerning compliance by an Owner or his or her tenant, lessee, guest, or invitee with the Declaration, Bylaws, or Rules;
- (3) To make a decision to levy monetary fines, impose special assessments against individual Lots, temporarily suspend an Owner's rights as a Member of the Association, or otherwise impose discipline;
- (4) To make a decision to levy regular or special assessments; or

(5) To make a decision to bring suit, record a claim of lien, or institute Foreclosure proceedings for default in payment of assessments.

L. Security. The Association shall have the power (but not the obligation) to contract for security service for the Common Areas.

M. Appointment of Trustee. The Association, or the Board acting on behalf of the Association, has the power to appoint or designate a trustee to enforce assessment liens by sale as provided in the Declaration and California Civil Code section 1367, subdivision (b).

N. Litigation/Arbitration. Subject to the provisions of Sections 10.11 and 10.12 of the Declaration, the Association shall have the power to institute, defend, settle, or intervene in litigation, arbitration, mediation, or administrative proceedings on behalf of the Association.

O. Common Areas Improvements. The Association shall have the authority and power to demolish, remove, and reconstruct any and all improvements on or over or under the Common Areas in a manner not inconsistent with the Declaration, and to construct, improve, and repair improvements that are appropriate for the use and benefit of the Members of the Association, and to charge for the use of those improvements, provided that the Association shall not include in any assessment, regular or special, the cost of any new capital improvement that exceeds \$20,000 in cost to be expended in any one calendar year, unless 51 percent or more of the voting power of the Association previously shall have approved that expenditure.

P. Utilities. The Association shall have the power to acquire and pay for water service and trash or garbage service for all homes situated in the Project, and to arrange for all utilities to serve the homes. Any funds collected from Owners for the payment of water service or trash or garbage service shall be segregated from all other funds and shall be used for no purpose other than providing water service, and trash and garbage service.

Q. Other Powers. In addition to the powers contained in the Declaration and in these Bylaws, the Board may exercise any powers granted to it by the Articles, or under California law.

Section 6.04. Duties of Board of Directors. The Board of Directors shall see that the following duties are performed on behalf of the Association:

A. Maintenance. The Board shall maintain, repair, replace (when necessary), restore, operate, and manage all of the Common Areas and all facilities, improvements, furnishings, equipment, and landscaping on the Common Areas, all property that may be acquired by the Association, and all property that the Association is otherwise required to maintain pursuant to the Declaration, in accordance with the provisions of the Declaration.

B. Insurance. The Board shall maintain the policy or policies of insurance required by the Declaration or otherwise required by law, and shall provide the summary of such policies in accordance with Section 10.04 hereof.

C. Discharge of Liens. The Board shall discharge by payment, if necessary, any lien against the Common Areas, and charge the cost to the Member or Members responsible for the existence of the lien (after notice and a hearing, as provided for in Article XII hereof).

D. Assessments. The Board shall fix, levy, collect, and enforce Assessments as set forth in Article IV of the Declaration. In addition, the Board shall prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Member. The Board shall issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any Assessment has been paid. Such certificate shall be conclusive evidence of any Assessment therein stated to have been paid.

E. Payment of Expenses and Taxes. The Board shall pay all expenses and obligations incurred by the Association in the conduct of its business, including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

F. Enforcement. The Board shall be responsible for the enforcement of the Declaration and the Bylaws. The Board shall maintain and operate the Common Areas of the Project in accordance with all applicable municipal, state, and federal laws, statutes, and ordinances, as the case may be. The Board shall also, as a separate and distinct responsibility, ensure that third parties (including Owners and their guests) utilize the Common Areas in accordance with the aforementioned

regulations. The Association shall, when it becomes aware of any violation of the aforementioned regulations, expeditiously endeavor to correct the violations.

G. Inspection of Common Areas. The Board shall periodically and 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 for which the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Project in accordance with the provisions of Section 10.02 hereof.

H. Records. The Association shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members and, in addition, at any special meeting when such is requested in writing by five percent (5%) of the voting membership.

I. Supervision. The Board shall supervise all officers, agents, contractors and employees of this Association, and to see that their duties are properly performed.

J. Furnish Documents: The Board shall furnish to each Member, not less than 30 days nor more than 90 days before the beginning of the Association's fiscal year: (1) a statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of Assessments against Members; and (2) a summary of the Association's property, general liability, earthquake, flood and fidelity insurance policies, which shall include all of the information required by Civil Code Section 1365(f), as the same may be amended

from time to time. In addition, the Board shall furnish to each Member, within the 60 day period immediately preceding the beginning of the Association's fiscal year, the notice required by Civil Code Section 1365.1(b), as the same may be amended from time to time.

K. Operating Budget: The Board shall prepare and distribute to each Member, at least 30 and not more than 90 days before the beginning of the Association's fiscal year, the pro-forma operating budget referenced in the Declaration and required by Civil Code Section 1365, as may be amended from time to time, or to distribute a summary of such budget in accordance with the provisions of Civil Code Section 1365(d).

L. Financial Statements: The Board shall cause a review of the financial statement 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 of the Association exceeds \$75,000, and distribute a copy of the review within 120 days after the close of each fiscal year, in accordance with Civil Code Section 1365(c), as may be amended from time to time.

Section 6.05. Limitations. In addition to the limitations on the Board's authority set forth in these Bylaws or in the Declaration, the Board may not take any of the following actions without the vote or written assent of a majority of the voting power of the Association:

(1) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(2) 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 fiscal year.

(3) Pay compensation to Members of the governing body or to officers for services performed in the conduct of the Association's business provided, however, that the governing body may cause a Member or officer to be reimbursed for reasonable expenses incurred in carrying on the business of the Association.

(4) Enter into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one year, except for: a management contract approved by the Federal Housing Administration or Veteran's Administration; a contract with a public utility company if the rates are regulated by a Public Utilities Commission (provided the term of the contract does not exceed the shortest term for which the supplier will contract at the regulated rate); prepaid casualty and/or liability insurance policies of not to exceed 3 years duration provided that short-rate cancellation by the insured is permitted; agreements for cable television

services and equipment or satellite television services and equipment of not to exceed 5 years duration; agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed 5 years; and a contract for a term not to exceed 3 years that is terminable by the Association after no longer than 1 year without cause, penalty or other obligation upon 90 days written notice of termination to the other party.

(5) Fill a vacancy on the Board created by the removal of a Director.

Section 6.06. Director Indemnity. Every person heretofore, now, or hereafter serving as a Director, officer, or employee of the Association shall be indemnified and held harmless by the Association from and against any and all loss, cost, liability and reasonable expense that may be imposed upon or incurred by him/her in connection with or resulting from any claim, action, suit or proceedings, civil or criminal, in which he/she may become involved as a party or otherwise by reason of his/her being or having been a Director, officer or employee of the Association whether or not he/she continues to be such at the time of such loss, cost, liability or expense shall have been imposed or incurred. As used herein, the term "loss, cost, liability and expense" shall include all reasonable expenses incurred in the defense of such claim, action, suit or proceeding and the amount of judgments, fines or penalties levied or rendered against any such person; provided, however, that no person shall be entitled to indemnity hereunder unless the Board of Directors of the Association determines in good faith that such person was acting in good faith within what he/she reasonably believed to be the scope of his/her

employment or authority and for a purpose which he/she reasonably believed to be in the best interest of the Association. Payments authorized hereunder include amounts paid and reasonable expenses incurred in settling any such claim, action, suit or proceeding whether actually commenced or threatened. Reasonable expenses incurred with respect to any such claim, action, suit or proceeding may be advanced by the Association prior to the final disposition thereof upon receipt of an undertaking satisfactory in form and amount to the Board of Directors by or on behalf of the recipient to repay such amount unless it is ultimately determined that he/she is entitled to indemnification. The foregoing right of indemnification shall not be deemed exclusive of any rights to which any person may be otherwise entitled by contract or as a matter of law.

Section 6.07. Compensation. No Director shall receive compensation for any service he/she may render to the Association. However, any Director may be reimbursed for his/her actual reasonable expenses incurred in the performance of his/her duties.

ARTICLE VII

MEETINGS OF MEMBERS

Section 7.01. Annual Meeting. There shall be an annual meeting of the members of the Association, whether a regular or special meeting at such time and at such place within the Project as may be designated by written notice of the Board given to the members and to any First Lender who has requested in writing to receive such notice not less than ten (10) days nor more than ninety (90) days prior to the date fixed for the meeting, specifying the date, time and place thereof. Notice of the time and place of such

meetings shall be posted at a prominent place or places within the Common Area. If no such prominent place exists or the Common Area is otherwise unsuitable for the posting of such notice, then notice of the time and place of such meeting shall be communicated by any means deemed appropriate by the Board. If there is not an available or appropriate place within the Project, the Board shall designate a meeting place as close as possible to the Project, but in no event outside the County unless unusual conditions exist.

Annual meetings of the Members shall be held within thirty (30) days of the same day of the same month of each year thereafter at such time as the Board directs. If the scheduled date of the annual meeting is a legal holiday, the meeting shall be held at the same time on the next business day.

All such meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt.

Section 7.02. Special Meetings. Special meetings of the members shall be promptly scheduled at any reasonable time and place by written notice of the Board of Directors upon (i) the vote for such meeting by a majority of a quorum of the Board of Directors; or (ii) the receipt of a written request therefor signed by members representing five percent (5%) of the total voting power of the Association; or (iii) the receipt of a written request therefor signed by the Chairperson of the Board or the President.

Section 7.03. Notice of Meetings. Written notice of each meeting of the members, whether regular or special meeting, shall be given by, or at the direction of, the

Secretary of the Association or any person authorized to call the meeting by (i) posting notice in the manner prescribed for annual meetings or notice by any manner deemed appropriate where posting is unsuitable; and (ii) by mailing a copy of such notice, postage prepaid, first-class mail, at least ten (10) days, but not more than ninety (90) days, before such meeting to each First Lender requesting notice and to each Member entitled to vote, addressed to the Members' addresses last appearing on the books of the Association, or supplied to such Member for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and: (1) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) in the case of a regular meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members, but, except as otherwise provided by law, any proper matter may be presented at the meeting for action. If there are any means of electronic transmission by and to the meeting or electronic video screen communication by which Members may participate in the meeting, the notice of meeting must so specify. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members.

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

- A. Removing a director without cause;

- B. Filling vacancies in the Board of Directors by the members;
- C. Amending the Articles of Incorporation;
- D. Approving a contract or transaction in which a director has a material financial interest.

Meetings shall be held within the Project or at a meeting place within the same County as close to the Project as possible, unless unusual circumstances exist.

Section 7.04. Quorum. The presence, either in person or by proxy, of members entitled to cast fifty-one percent (51%) of the votes of the total membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If any meeting cannot be held because a quorum is not present, the members present may, adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days from the original meeting date, but may not transact any other business. The quorum for the adjourned meeting shall be the number of members entitled to vote twenty-five percent (25%) of the total voting power of the Association. If a time and place for the adjourned meeting is announced prior to the adjournment of the original meeting, no notice of the adjourned meeting is required. However, if a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or, if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings. The members present at a duly called or held meeting at which a quorum is present may continue to do business until

adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, provided any action taken (other than adjournment) is approved by at least a majority of the members required to constitute a quorum.

Section 7.05. Proxies. In all elections of Members, each Member may vote in person or by proxy. All proxies shall be in writing, signed by the Member, and filed with the Secretary of the Association before the time appointed and scheduled for the meeting at which the vote shall be taken, or before the deadline for submission of written ballots if the election is being conducted by written ballot. Any proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the Member's vote by secret ballot.

Each proxy shall be revocable and shall automatically cease upon conveyance by the Owner of his or her Lot or upon receipt of written notice by the Secretary of the death or judicially declared incompetence of a Member prior to the counting of the vote or upon the expiration of eleven (11) months from the date of the proxy. The maximum term of any proxy shall be three (3) years from its execution. Any form of proxy distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy also shall identify the person or persons authorized to exercise the proxy and the length of time it will be valid. In

addition, voting by proxy shall comply with any other applicable requirements of California Corporations Code Sections 7514 and 7613.

Section 7.06. Entry of Notice. Whenever any Member entitled to vote has been absent from any meeting of Members, whether annual or special, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Member or Members as required by law and by the Articles of Incorporation, Declaration and these Bylaws.

Section 7.07. Method of Voting. Voting may be via voice or ballot; provided, however, that all elections regarding assessments legally requiring a vote, election and removal of Directors, amendments to the Declaration, Bylaws or Articles, or grant of exclusive use of Common Area pursuant to Civil Code section 1363.07, shall be by secret written ballot in accordance with the requirements of Civil Code section 1363.03(b). In the aforementioned types of elections, the Association shall, not less than 30 days prior to the deadline for voting, deliver to each Member a ballot and two preaddressed envelopes with instructions on how to return ballot. In order to preserve confidentiality, a voter may not be identified by name, address, or Lot on the ballot. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including the following:

(1) The ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper

left hand corner of the second envelope, the voter shall sign his/her name, indicate his/her name, and the address or Lot number that entitle him/her to vote; and

(2) The second envelope is addressed to the inspector(s) of election, who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the inspector or inspectors of election.

Section 7.08. Waiver of Notice or Consent. The transaction of business at any meeting of Members, either annual or special, however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the Association records or made a part of the minutes of the meeting.

Attendance of a member at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the Member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting, but not so included, if that objection is expressly made at the meeting.

Section 7.09. Action Without Meeting. Except as otherwise provided herein or as otherwise required by law, any action that may be taken by the vote of Members at a

regular or special meeting may be taken without a meeting if done in compliance with the provisions of California Corporation Code Sections 7513 and 7516. Any form or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the written ballot. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice.

Section 7.10. Order of Business at Meetings. At all meetings of the Members, the following order of business shall be observed insofar as it is consistent with the purposes and objectives of the meeting: (1) calling the roll to determine the membership certificates represented at the meeting; (2) reading of notice and proof of call of meeting; (3) reports of officers; (4) reports of committees; (5) unfinished business; (6) new business; (7) election of directors; and (8) miscellaneous business. Meetings of the Members shall be conducted by the officers in order of their priority.

ARTICLE VIII

MEETINGS OF DIRECTORS

Section 8.01. Regular Meetings. Regular meetings (at least quarterly) of the Board shall be held at a place within the project which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. Notice of the time and place of such meetings shall be posted at a prominent place or places within the Common Areas, and shall be communicated to the Members not less than four

(4) days prior to the meeting; provided however, that notice of a meeting need not be given to any Member who has signed a waiver of notice or a written consent to a holding of the meeting.

Section 8.02. Organizational Meetings. As soon as practicable following the election of directors, the Board 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 and place as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then the meeting shall be held at the same time on the next day thereafter ensuing which is not a legal holiday.

Section 8.04. Special Meetings. Special meetings of the Board for any purpose may be called at any time by the President of the Association; or, if he or she is absent or unable or refuses to act, by the Vice President or by any two (2) members of the governing body, other than the President.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be given to each Director at least 4 days in advance of the scheduled meeting via first-class mail, postage prepaid, or at least 72 hours in advance of the scheduled meeting via personal delivery, telephone (including via a voice-messaging system or other system designed to record and communicate messages), telegraph, facsimile, electronic mail, or other electronic means authorized by the

Corporations Code. Notice of the meeting shall be posted at a prominent place within the Common Area not less than 72 hours prior to the scheduled time of the meeting.

Section 8.05. Action By Written Consent In Lieu of Board Meeting. In an emergency only, the directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Such written consent or consents shall be filed with the minutes of the proceeding of the Board. Any such emergency action so approved shall have the same effect as though taken at a meeting of the directors.

If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all directors have been obtained.

Section 8.06. Quorum. A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. 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.

Section 8.07. Adjournment. A majority of directors present, whether or not a quorum is present, may adjourn any meeting to another time or place. If the meeting is adjourned for more than 24 hours, notice of an adjournment to another time or place shall

be given prior to the time of the adjourned meeting to the directors who were not present at the time of adjournment.

Section 8.08. Attendance at Meetings. Regular and special meetings of the Board shall be open to all Members of the Association; any Member of the Association shall be permitted to speak at any meeting of the Board except for meetings of the Board held in executive session, which shall not be open to the general membership.

Section 8.09. Executive Session. The Board may meet 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. In any manner relating to the discipline of an Association Member, the Board of Directors shall meet in executive session if requested by that Member and the Member shall be entitled to attend the executive session. Members shall be given notice of the time and place of an executive session meeting, except for an emergency meeting, 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, at the address requested by the Owner. Notice may also be given by mail, by delivery of the notice to each residence in the Project, by newsletter or similar means of communication, or, with the consent of the Member, by electronic means. The notice shall contain the agenda for the meeting. Any matter discussed in executive

session shall be generally noted in the minutes of the next meeting that is open to the entire membership.

Section 8.10. Removal. Unless the entire Board is removed from office by the vote of Members of the Association, no Director shall be removed prior to the expiration of his or her term of office if the votes cast against removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Association members authorized at the time of the most recent election of the Director were then being elected.

Section 8.11. Meetings via Conference or Video Telephone. Pursuant to Civil Code Section 1363.05(i)(2)(B), a teleconference in which a majority of the members of the Board, in different locations, are connected by electronic means, through audio or video or both, shall be considered a meeting of the Board. A teleconference meeting shall be conducted in a manner that protects the rights of Members of the Association and otherwise complies with the requirements of the law. Except for a meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that Members of the Association may attend and at least one member of the Board shall be present at that location. Participation by Board members in a teleconference meeting constitutes presence at the meeting as long as all Board members participating in the meeting are able to hear one another and Members of the Association participating in the meeting are able to hear one another and Members of the Association speaking on matters before the Board.

Section 8.12. Action Outside Meeting/Electronic Communications. The Board shall not take action on an item of business outside of a meeting, as provided in Civil Code Section 1363.05(j)(1). The Board shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except with respect to emergency meetings as set forth in this Section. Electronic transmissions may be used as a method of conducting an emergency meeting if all members of the Board, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the meeting of the Board. Written consent to conduct an emergency meeting may be transmitted electronically.

Section 8.13. Action on Matters Not Included in Agenda. Except to the extent permitted by California Civil Code Section 1363.05(i), as the same may be amended from time to time, the Board shall not discuss or take action on any item at a non-emergency meeting, unless the item was placed on the agenda included in the notice of meeting.

ARTICLE IX OFFICERS

Section 9.01. Officers. The officers shall, at a minimum, consist of a president, a secretary and a chief financial officer. If desired, the Association may also have one or more vice-presidents and such other officers as the Board shall desire. All officers shall be members of the Board of Directors.

Section 9.02. Election. The officers shall be chosen by a majority vote of the directors.

Section 9.03. Term. All officers shall hold office at the pleasure of the Board of Directors.

Section 9.04. Duties of President. The president shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board of Directors are carried out and sign all notes, leases, mortgages, deeds and all other written instruments.

Section 9.05. Vice President. If the office of vice president exists, the vice president shall perform all the duties of the president in his/her absence.

Section 9.06. Secretary. The Secretary shall be ex officio the secretary of the Board of Directors, shall record the votes and keep the minutes of all proceedings in a book to be kept for the purpose. He/she shall serve notice of meetings of the members and the Board, sign all certificates of membership, shall keep the records of the Association, shall record in a book kept for that purpose the names of all Members of the Association together with their addresses as registered by such Members, and perform such other duties as may be required by the Board.

Section 9.07. Chief Financial Officer. The Chief Financial Officer shall oversee the receipt and deposit in appropriate bank accounts of all monies of the Association and shall oversee the disbursement of such funds as directed by resolution of the Board of Directors, provided however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board.

ARTICLE X
BOOKS OF ACCOUNT, FINANCIAL STATEMENTS
AND RESERVE ACCOUNTS

Section 10.01. Inspection of Association Records.

(a) The books, records and papers of the Association, including membership registers (including names, mailing addresses, telephone numbers and voting rights), books of account, minutes of meetings of the Members and the Board and of committees appointed by the Board (including drafts and summaries), shall be open to inspection upon the written demand of any Member of the Association or his/her duly appointed representative at any reasonable time and for a purpose reasonably related to his/her interests as a Member and shall be produced at any meeting when requested by any Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and all papers of every kind and nature of the Association and the physical properties owned or controlled by the Association, and to make extracts and copies thereof (the cost of reproducing copies shall be borne by the Association). Such inspection at such place within the Project shall be prescribed by the Board, may be made in person or by an agent or attorney and shall include the right to make extracts. Demand of inspection, other than at a Members' meeting, shall be made in writing upon the President or Secretary of the Association. The Board may establish reasonable rules with respect to (1) notice to be given to the custodian of the records by the

Member desiring to make the inspection; (2) hours and day of the week when such an inspection may be made; and (3) payment of the cost of reproducing copies of documents requested by a Member.

(b) In the case of the minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be available to Members within 30 days of the meeting and shall be distributed to only Members upon request and payment of the cost of making that distribution. At the time the pro forma operating budget is distributed or at the time of any general mailing, Members of the Association shall be notified in writing of their right to have copies of the minutes of meetings of the Board and as to how and where those minutes may be obtained and the cost of obtaining such copies.

(c) Upon written request, the Association, through its managing agent, or if there is no managing agent, through the Secretary, shall, within 10 days of the mailing or delivery of that request, provide the Owner with a copy of the Governing Documents of the Project, a copy of the most recent budget and financial statements, together with a true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special Assessments and fees, as well as any Assessments levied upon the Owner's Lot that are unpaid on the date of the statement, including late charges, interest, and costs of collection that, as of the date of the statement, are or

may be made a lien upon the Owner's Lot. For providing the foregoing, the Board may impose a fee that may not exceed the reasonable cost to prepare and reproduce the requested documents.

Section 10.02. Financial Statements.

A. Unless otherwise required by law, the following financial information shall be regularly prepared and distributed by the Board of Directors to all Members regardless of the number of Members or the amount of assets of the Association:

(1) A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year.

(a) Estimated revenue and expenses on an accrual basis.

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

(i) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component.

(ii) As of the end of the fiscal year for which the study is prepared: 1) the current estimate of the amount of

cash reserves necessary to repair, replace, restore or maintain major components; 2) the current amount of accumulated cash reserves actually set aside to repair, replace, replace, restore or maintain major components.

iii) 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 as separate line items under cash reserves pursuant to clause (ii), above. In lieu of complying with this requirement, the Association may include in the review of its financial statement a statement containing all of the foregoing information.

(iv) The percentage of the current estimate of necessary cash reserves represented by accumulated cash reserves actually set aside; and

(v) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of clause (ii) of subparagraph (B) of Civil Code Section 1365(a)(2) from the amount determined for purposes of clause (i) of subparagraph (B) of Civil Code Section 1365(a)(2) and then dividing the result by the number of Lots within the Project.

(c) A statement as to all of the following: (i) 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; (ii) Whether the Board, consistent with the reserve funding plan adopted pursuant to subdivision (e) of Section 1365.5 of the Civil Code, 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 therefore; (iii) 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; and (v) 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.

(d) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of future repair, replacement, or additions to major components of the Common Area and facilities for which the Association is responsible. The report shall include, but need not be limited to, reserve calculations made using the formula described in Civil Code section 1365.2.5(b)(4), and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

Instead of the distribution of the pro forma operating budget required by subdivision (1) above, the Board may elect to distribute a summary of the pro forma operating budget to all Members with a written notice that the pro forma operating budget is available at the business office of the Association or at another suitable location within the boundaries of the Project, and that copies will be provided upon request and at the expense of the Association. If any Member requests that a copy of the pro forma

operating budget be mailed to the Member, the Association shall provide the copy to the Member by first-class United States mail at the expense of the Association and delivered within five days. The written notice that is distributed to each of the Members shall be in at least 10-point boldface type on the front page of the summary of the budget.

(2) A summary of the reserve funding plan adopted by the Board, as specified in paragraph (4) of subdivision (e) of Section 1365.5 of the Civil Code, as amended from time to time. 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.

(3) For any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00), a copy of the review of the financial statement prepared in accordance with generally acceptable accounting principles by a licensee of the California State Board of Accountancy.

(4) The assessment and reserve funding disclosure summary form required by Civil Code section 1365.2.5 shall accompany the pro forma operating budget or summary thereof.

B. In addition to financial statements, the Board of Directors shall annually distribute not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in

enforcing its lien rights and remedies against Members for defaults in the payment of regular and special Assessments including the recording and foreclosing of liens against Members' Lots and a statement of the place where the names and addresses of the current Members are located.

C. The Board of Directors shall perform the following at least quarterly during each fiscal year of the Association:

(1) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(2) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

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

(4) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

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

D. Along with the pro-forma operating budget, the Association shall submit to the Members: (1) a statement of an Owner's right to submit secondary addresses to the Association; and (2) a summary of the alternative dispute resolution provisions provided in Civil Code sections 1369.510 et seq., which shall include the

following statement: “Failure of a member of the association to comply with the alternative dispute resolution requirements may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.” The summary shall also include a description of the Association’s meet and confer provisions, as required by Civil Code section 1363.850.

E. Not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Association’s fiscal year, the Association shall distribute to each Member a summary of the Association’s property, general liability, earthquake, flood and fidelity insurance policies, that includes all of the following information about each policy:

- (i) The name of the insurer;
- (ii) The type of insurance;
- (iii) The policy limits of the insurance; and
- (iv) The amount of deductibles, if any.

The Association shall, as soon as reasonably practicable, notify the Members by first-class mail if any of the policies 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, as to any of the policies. If the Association receives any notice of nonrenewal of a policy, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. The Association may satisfy its obligations under this

provision by distributing to all Members copies of the declaration page of any insurance policy to the extent that the necessary information is included in the insurance policy declaration page. The insurance summary shall contain, in at least 10-point boldface type, the following statement:

“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, 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.”

F. During the 60-day period immediately preceding the beginning of the Association’s fiscal year, the Association shall distribute to each Member the written notice required by Civil Code section 1365.1 relating to assessments and collection practices. The notice shall be printed in at least 12-point type.

G. At least once every three years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which that the Association is obligated to repair, replace, restore, or maintain

as part of a study of the reserve account requirements of the Project, 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 required by this subdivision shall at a minimum include:

- (1) Identification of the major components that the Association is obligated to repair, replace, restore, or maintain which that, as of the date of the study, have a remaining useful life of less than 30 years;
- (2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study;
- (3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1);
- (4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study; and
- (5) A reserve funding plan that indicates how the Association plans to fund the contribution identified in paragraph (4) to meet the Association's obligation for the repair and replacement of all major components with an

expected remaining life of 30 years or less, not including those components that the Board has determined will not be replaced or repaired. The plan shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan. The plan shall be adopted by the Board at an open meeting before the membership of the Association as described in Civil Code Section 1363.05. If the Board determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the Board that is consistent with the procedure described in Civil Code Section 1366.

Section 10.03. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by resolution of the Board. At least two signatures shall be required for the withdrawal of funds from the Association's reserve accounts.

ARTICLE XI

AMENDMENTS

Section 11.01. Vote Required. These Bylaws may be amended by vote of a majority of votes of Members voting in an election at which a quorum exists; provided that no provision of these Bylaws which is governed by the Articles of Incorporation of

the Association and/or the Declaration, may be amended except as provided in each said respective instrument.

ARTICLE XII

PENALTIES FOR BREACH OF DECLARATION OR BYLAWS

Section 12.01. Breach. In the event an Owner, or an Owner's tenant or employee, breaches any provision of the Declaration or the Bylaws of the Association, the Board shall first give notice, in writing, by either personal delivery or first class mail, to said breaching party to cure the breach, if it can be cured. If the breach cannot be cured or has not been cured within ten (10) days of the notice to cure, the Board shall notify the Member in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the meeting that the Board intends to meet to consider or impose discipline on the Member. The notification shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which a Member may be disciplined, and a statement that the Member has a right to attend and may address the Board at the meeting. The Board of Directors shall meet in executive session if requested by the Member being disciplined.

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

Certificate of Secretary

I, Jesse Fielding the duly elected and acting Secretary of Canon Del Sol Homeowners Association, a California Non-Profit Mutual Benefit Corporation, do hereby certify:

That the within and foregoing Amendment and Restatement to Bylaws was duly adopted by vote of the Association, and that the same does now constitute the Amendment and Restatement of Bylaws of said Corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of November, 2012

Secretary 