

THIRD RESTATED BYLAWS
OF
AUBURN VALLEY PROPERTY OWNERS' ASSOCIATION, INC.

TABLE OF CONTENTS
TO
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OF
AUBURN VALLEY PROPERTY OWNERS' ASSOCIATION, INC.

		Page Number
ARTICLE 1	NAME, LOCATION AND SPECIFIC PURPOSE	1
ARTICLE 2	DEFINITIONS.....	1
2.1	Declaration.....	1
2.2	Other Definitions Incorporated by Reference.....	1
ARTICLE 3	MEMBERSHIP AND VOTING.....	1
3.1	Membership.....	1
3.2	Voting.....	1
3.3	Adoption of Election Rules.....	2
3.4	Assignment of Membership Rights.....	2
3.5	Record Dates.....	2
ARTICLE 4	MEETINGS OF MEMBERS.....	3
4.1	Annual Membership Meeting.....	3
4.2	Special Membership Meetings.....	3
4.3	Notice of Membership Meetings.....	3
4.4	Conduct of Membership Meetings.....	3
4.5	Place of Membership Meetings.....	4
4.6	Quorum for Purposes Other than Voting on Assessment Increases.....	4
4.7	Proxies Prohibited.....	4
4.8	Vote of the Members.....	4
4.9	Disclosure of Voting Results.....	4
4.10	Adjournment.....	4
4.11	Action Without a Meeting.....	5
4.12	Voting by Secret Ballot.....	5
ARTICLE 5	BOARD OF DIRECTORS; QUALIFICATIONS; TERM OF OFFICE.....	5
5.1	Number of Directors.....	5
5.2	Qualification and Disqualification of Directors.....	5
5.3	Election and Term of Office.....	6
5.4	Removal.....	6
5.5	Vacancies.....	6
5.6	Filling Vacancies.....	6
5.7	Compensation.....	6
ARTICLE 6	NOMINATION AND ELECTION OF DIRECTORS.....	7
6.1	Nomination.....	7
6.2	Election of Directors.....	7
6.3	Uncontested Election of Directors.....	7
ARTICLE 7	MEETINGS OF DIRECTORS.....	8
7.1	Organizational Board Meetings.....	8
7.2	Regular Board Meetings.....	8

7.3	Special Board Meetings.....	8
7.4	Emergency Board Meetings.....	8
7.5	Notice to Directors.....	8
7.6	Notice to Members.....	8
7.7	Open Meeting.....	9
7.8	Executive Session.....	9
7.9	Telephone Participation.....	9
7.10	Quorum.....	9
7.11	Minutes of Meetings of Directors.....	9
ARTICLE 8	POWERS AND DUTIES OF THE BOARD OF DIRECTORS	10
8.1	Powers.....	10
8.2	Duties.....	14
ARTICLE 9	OFFICERS AND THEIR DUTIES; COMMITTEES	24
9.1	Enumeration of Officers.....	24
9.2	Election of Officers.....	24
9.3	Term.....	24
9.4	Special Appointments.....	25
9.5	Resignation and Removal.....	25
9.6	Vacancies.....	25
9.7	Multiple Offices.....	25
9.8	President.....	25
9.9	Vice President.....	25
9.10	Secretary.....	25
9.11	Treasurer.....	25
9.12	Committees of the Board.....	26
9.13	Working Committees.....	26
ARTICLE 10	BOOKS, RECORDS AND FUNDS.....	26
10.1	Access to Association Records.....	26
10.2	Checks, Drafts, and Evidences of Indebtedness.....	26
10.3	Funds and Deposits.....	26
10.4	Fiscal Year.....	26
10.5	Delivery of Documents to Members.....	26
ARTICLE 11	AMENDMENTS	27
11.1	Amendment by Members.....	27
11.2	Amendment by Board of Directors.....	27
11.3	Restatements of Bylaws.....	27
ARTICLE 12	MISCELLANEOUS	28

**THIRD RESTATED BYLAWS
OF
AUBURN VALLEY PROPERTY OWNERS' ASSOCIATION, INC.**

ARTICLE 1 NAME, LOCATION AND SPECIFIC PURPOSE

The name of the corporation is the Auburn Valley Property Owners' Association, Inc. (the "Association"). The principal office of the Association shall be located in Placer County, California or at such other place reasonably convenient to the Development as the Board of Directors may from time to time establish. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Areas and Common Facilities within the development.

ARTICLE 2 DEFINITIONS

2.1 Declaration. "Declaration" means the Eighth Restated Declaration of Covenants, Conditions and Restrictions for Auburn Valley, recorded on _____, 2020, as Document Number _____ in the Official Records of Placer County, California, as such Declaration may from time to time be amended.

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

ARTICLE 3 MEMBERSHIP AND VOTING

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

3.2 Voting. Members shall be entitled to cast one (1) vote for each Lot owned. In the event more than one (1) person owns a given Lot, the vote for such Lot shall be exercised as the Associations among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any Lot. If the joint Associations of a Lot are unable to agree among themselves as to how their vote or votes are to be cast, such vote shall be cast in accordance with the decision of a majority of such Associations. If there is no such majority, the vote for the Lot shall not be cast either in favor of or opposed to the issue or issues which are the subject of the vote, but the Membership shall be counted for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met. If any Association casts a vote representing a certain Lot and no written objection thereto is received by the Secretary prior to the close of voting, it will thereafter be conclusively presumed for all purposes that such Association was acting with the authority and consent of the other Associations of that Lot. The vote at any meeting of the Members

may be by voice vote or by ballot as determined by the Board of Directors. In any election of Directors where the number of candidates does not exceed the number of Directors to be elected, the election of Directors may be accomplished in accordance with Section 6.3 of these Bylaws, unless prohibited by California law.

3.3 Adoption of Election Rules. The Board of Directors shall adopt rules that govern the Association's election procedures which shall include the minimum requirements specified in California Civil Code Section 5100 - 5125, or comparable successor statute, as it may be amended from time to time.

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

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

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

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

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

entitled to cast written ballots with respect to any proposed action shall be the day on which the first written ballot is mailed or solicited. Only Members in Good Standing as of the record date shall be entitled to receive written ballots and vote on the proposed action.

3.5.4 Only Members are entitled to receive notice of meetings and only Members in Good Standing are entitled to vote. Members of the Association are limited to Associations as that term is defined in Section 1.23 of the Declaration.

ARTICLE 4 MEETINGS OF MEMBERS

4.1 Annual Membership Meeting. The annual meeting of the Members will be held during the month of April of each year on a date and at a time and place to be designated by the Board of Directors, upon proper written notice to all of the Members.

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

4.3 Notice of Membership Meetings.

4.3.1 Written notice of each meeting of the Members shall be given by or at the direction of the Secretary or other person authorized to give notice of a meeting. Written notice shall be mailed by first class mail, postage prepaid, or otherwise delivered at least ten (10) days but not more than ninety (90) days before such meeting, to each Member who, on the record date for notice of the meeting, is entitled to vote at such meeting, except that in the case of a special meeting called pursuant to a written request of Members, notice of such special meeting shall be mailed or otherwise delivered within twenty (20) days after receipt of such written request by the Board, and the date of such special meeting shall be set by the Board and shall be no sooner than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of such written request.

4.3.2 Notice of meetings shall be addressed or otherwise delivered to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice. Notice of any meeting of Members shall specify the date, hour, and place of the meeting, and the general nature of those matters which the Board intends to present for action by the Members.

4.3.3 With respect to special meetings, only those matters referred to in such notice may be transacted. With respect to regular meetings, and notwithstanding the foregoing, any proper matter may be presented at the meeting for action by the Members, except that if the meeting is actually attended, in person, by less than one-third (1/3) of the Total Voting Power of the Association, the Members may act only on matters the general nature of which has been set forth in the notice of such meeting.

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

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

4.6 Quorum for Purposes Other than Voting on Assessment Increases. The presence at any Membership Meeting or Special Membership Meeting, in person or by secret ballot, of Members entitled to cast at least thirty-three percent (33%) of the Total Voting Power shall constitute a quorum for the transaction of any business to the extent that the vote of Members is required. If, however, such quorum shall not be present or represented at any meeting, the Members otherwise entitled to vote at that meeting shall have the power to adjourn the meeting from time to time, to be reconvened at a subsequent time, including the same day as the originally scheduled meeting, which is not more than thirty (30) days from the time of the adjourned meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented. At the continuation of any meeting so adjourned, the presence in person or by secret ballot of Members entitled to cast at least twenty-five percent (25%) of the Total Voting Power shall constitute a quorum. The quorum requirements of this Section shall be subject to Section 6.5.4 and Section 6.6.3 of the Declaration which refer to assessment increases and require a 50% quorum and to any other provisions of the Governing Documents specifically establishing a different quorum requirement.

4.7 Proxies Prohibited. Because it is the custom and practice of the Association to solicit all Member consents and approvals that may be required by law, including votes in the election of directors, by use of mailed, written ballots and because State law requires most Member votes on significant matters requiring Member approval to be conducted by use of secret written ballots, proxy voting shall not be permitted by Members. In no event may directors give proxies to other directors or Members authorizing the recipient to vote or take other official actions on behalf of a director in his or her capacity as such.

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

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

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

4.11 Action Without a Meeting.

4.11.1 Any action which may be taken at a regular or special meeting (including the election of Directors unless such elections are required by California law to be conducted by secret ballot in accordance with the procedures set forth in California Civil Code Section 5100 - 5125 or comparable successor statute) may be taken without a meeting of the Members if the Association distributes a written ballot to every Member entitled to vote. The determination to seek Member approval for Association actions through the use of written ballots shall be made by a majority vote of the Board.

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

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

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

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

4.12 Voting by Secret Ballot. If required by California law (including without limitation California Civil Code Section 5100 - 5125), elections regarding (a) Assessments, (b) selection of Directors, (c) removal of Directors, (d) amendments to the Governing Documents and (e) grants of exclusive use of Common Area property pursuant to California Civil Code Section 4600 shall be conducted by secret ballot in accordance with the procedures set forth in California Civil Code Section 5100 - 5125 or comparable successor statute.

ARTICLE 5 BOARD OF DIRECTORS; QUALIFICATIONS; TERM OF OFFICE

5.1 Number of Directors. The affairs of the Association shall be managed by or under the direction of a Board of Directors, consisting of five (5) Directors.

5.2 Qualification and Disqualification of Directors.

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

5.2.2 Only one (1) Association of a particular Lot may serve on the Board at any time.

5.2.3 Only Members who have resided on their Lots for a minimum of six (6) months shall be eligible to be elected or serve on the Board.

5.2.4 A person shall be deemed disqualified under the followings circumstances: (a) the person is found by a court of competent jurisdiction to be of unsound mind or has been convicted of a felony; (b) the person fails within sixty (60) days after receiving notice of election to accept such office, either in writing or by attending a meeting of the Board of Directors as a Director; (c) the person is absent, without an excuse approved by the Board, from three (3) consecutive meetings of the Board; and (d) with respect to a Director who is or was a Member, the person ceases to be a Member in Good Standing.

5.3 Election and Term of Office.

5.3.1 The Directors shall be elected for a term of two (2) years to replace those directors whose terms of office are then expiring.

5.3.2 There shall be no limit on the number of terms to which a Director may serve. Each Director shall serve until the expiration of his or her term and thereafter until a successor is elected, or until the earlier disqualification, death, resignation, or removal of such Director.

5.3.3 Any tie in the number of votes cast for candidates where more than one (1) Director is to be elected is to be decided by random drawing or other method of chance as determined by the Board of Directors.

5.4 Removal. Any Director may be removed from the Board, with or without cause, by the vote of a Simple Majority of the Members at a meeting, or by written ballot or secret ballot, as may be required by California law, or any change in applicable law. No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his or her term of office.

5.5 Vacancies. A vacancy shall exist on the Board of Directors in the event of the disqualification, death, resignation, or removal of any Director, or if the Members fail to elect the full authorized number of Directors. The Board of Directors, by a majority vote of the Directors who meet all of the qualifications for Directors as set forth in Section 5.2 of these Bylaws, may declare vacant the office of any Director who fails or ceases to meet any required qualification that was in effect at the beginning of that Director's current term of office.

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

5.7 Compensation. No Director or committee Member shall receive compensation for any service he or she may render to the Association as a Director. However, upon approval by the Board, any

Director may be reimbursed for his or her reasonable expenses actually incurred in the performance of his or her duties.

ARTICLE 6 NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination.

6.1.1 Nominations of candidates for election to the Board of Directors may be made by a Nominating Committee, if the Board decides to enact such a committee. If appointed, the Nominating Committee shall consist of a chairman, who shall be a Member of the Board, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board not less than ninety (90) days prior to the date secret ballots are distributed to Members, to serve until the conclusion of the Director election. The Nominating Committee, if established, shall submit names of eligible candidates to the Association's Board, or designated agent, at least thirty (30) days prior to the distribution of the secret ballots.

6.1.2 The Board may adopt reasonable nomination procedures that comply with California law (including without limitation California Civil Code Section 5100 through 5125 or comparable successor statute) for the nomination of eligible candidates. Such procedures shall include, without limitation, a mechanism for any eligible Member to nominate himself or herself for election to the Board.

6.1.3 Any Member in Good Standing may place his or her name in nomination for election to the Board of Directors by following the procedure(s) set forth for self-nomination in the Association's election procedures.

6.1.4 All nominees shall meet the qualifications set forth in Section 5.2 of these Bylaws.

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

6.2 Election of Directors. If required by California law (including without limitation California Civil Code Section 5100 - 5125), Director elections shall be conducted by secret ballot in accordance with the procedures set forth in California Civil Code Section 5100 - 5125 or comparable successor statute. The quorum for any such election shall be as stated in Section 4.6 of these Bylaws. The candidates receiving the largest number of votes shall be elected. There shall be no cumulative voting for election of directors.

6.3 Uncontested Election of Directors. If after the close of nominations the number of people nominated for the Board of Directors is equal to or less than the number of Directors to be elected, an election as set forth in Section 6.2 of these Bylaws must still be conducted. If the number of Directors so elected is less than the number of vacancies, the incoming Board of Directors shall fill the vacancy as provided for in Section 5.6 of these Bylaws.

ARTICLE 7 MEETINGS OF DIRECTORS

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

7.2 Regular Board Meetings. Regular meetings of the Board of Directors shall be at least quarterly, typically in February, May, August, and November, at a place within the Development, or at a convenient place located as close as reasonably practicable to the Development, and on a day and at a time as fixed from time to time upon proper notice which conforms to the provisions of Section 7.5 of these Bylaws. If business to be transacted does not justify meetings every other month, the Board may meet quarterly, subject to the same notice and location requirements set forth in this section for meetings every other month.

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

7.4 Emergency Board Meetings. The President or any two (2) Directors may call an emergency meeting of the Board. An "emergency meeting" is defined as a meeting held to address circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide the notice to Members required by Section 7.6 of these Bylaws.

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

7.6 Notice to Members.

7.6.1 Except for emergency meetings as provided for in Section 7.4 of these Bylaws, and executive sessions as provided for in Section 7.6.2 of these Bylaws, at least four (4) days prior written notice of the day, time, and place of each meeting of the Board, whether regular or special, shall be given to all Members by posting it in a prominent place or places within the Common Area and by mail to any 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 by (a) mailing or delivery to each Residence, (b) by newsletter, (c) by other means of communication reasonably designed to provide prior actual notice of such meeting; or (d) with the consent of the Member, by electronic means. The notice shall contain the agenda for the meeting.

7.6.2 If a non-emergency meeting is held solely in executive session, the Association shall give notice of the time and place of the meeting at least two (2) days prior to the meeting by posting it in a prominent place or places within the Common Area and by mail 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 by (a) mailing or delivery to each Residence, (b) by newsletter, (c) by other means of communication reasonably designed to provide prior actual notice of such meeting; or (d) with the consent of the Member, by electronic means. The notice shall contain the agenda for the meeting.

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

7.8 Executive Session. The Board may meet in executive session to confer with legal counsel or to discuss and vote upon personnel matters, Member discipline, litigation in which the Association is or may become involved, and matters that relate to the formation of contracts between the Association and others. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person whose participation is, in the judgment of the Board, necessary or appropriate shall be entitled to attend the executive session. The Board shall also, at a Member's request, meet in executive session with such Member to discuss the Member's request to pay unpaid Assessments pursuant to a payment plan. Notwithstanding the preceding, the Board shall not in any way be obligated to accept or agree to any such payment plan.

7.9 Telephone Participation. Directors may participate in regular or special Board meetings through the use of conference telephone, electronic video screen communications, or other communications equipment to the extent permitted by law, including, without limitation, California Corporations Code Section 7211(a)(6) provided that, if notice to the Members of the meeting is required pursuant to Section 7.6 of these Bylaws at least one (1) Director must be physically present at the noticed location of the Board meeting.

7.10 Quorum. A majority of the number of Directors then in office, but not less than three (3) Directors, shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. Business may continue to be conducted if any action taken is approved by at least a majority of the Directors required to constitute a quorum notwithstanding the withdrawal of enough Directors to leave less than a quorum.

7.11 Minutes of Meetings of Directors.

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

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

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

ARTICLE 8 POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

8.1.1 Rules and Regulations. Adopt, publish, amend, repeal and enforce rules and regulations (all of which shall be in writing) governing the administration, management, operation, use and occupancy of the Development, including without limitation the use of the Common Area and facilities, the personal conduct of the Members and their tenants and guests within the Development and any other matter which is within the jurisdiction of the Association.

8.1.2 Contracts. Authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Association or to render the Association liable for any purpose or on any account.

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

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

8.1.4.1 Establish and impose fines, which shall be Enforcement Assessments as provided in Section 6.8 of the Declaration, for the infraction of any provision of

the Governing Documents in accordance with a schedule of fines adopted by the Board and distributed to all Members pursuant to Section 8.2.10 of these Bylaws.

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

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

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

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

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

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

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

8.1.4.5.4 Notification of all hearings shall be made in accordance with Section 8.1.4.4 of these Bylaws.

8.1.4.6 In the case of a continuing violation, the Board may deem such continuing violation to constitute two (2) or more separate and distinct violations of the same Governing Document provision and may impose separate and successive sanctions for each such violation. However, the Board shall not impose a separate sanction for violations of the same provision more frequently than once per day.

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

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

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

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

8.1.8 Entry for Repairs. Enter any Lot, whenever such entry is necessary, in the Board's sole discretion, in connection with the performance of any maintenance, repair, construction, or replacement for which the Association is responsible for which it is authorized to perform, including without limitation the authorization provided in Section 8.5 of the CC&Rs (Declaration). Although under no obligation to do so, the Board, in its complete and sole discretion, may enter or may authorize the Association's agents to enter any Lot to effect emergency repairs where such repairs are necessary for safety reasons or to prevent or discontinue damage to the entered Lot, any other Lot or the Common Area. Such entry shall be made with as little inconvenience to the Residents as practicable and only upon reasonable advance written notice of not less than twenty-four (24) hours, except in emergency situations.

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

8.1.10 Mergers. To the extent permitted by law, participate in mergers and consolidations with other nonprofit mutual benefit organizations organized for the same purposes as this Association subject to Section 5.12 of the Declaration.

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

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

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

8.1.14 Borrowing. Borrow money in the name of the Association as provided in Sections 5.10 and 5.11 of the Declaration.

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

8.1.16 Limitation of Powers. The Board shall not take any of the following actions except with the consent of a simple majority of the Members constituting a quorum of more than fifty percent (50%) of the Voting Power of the Association:

8.1.16.1 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 (1) year with the following exceptions:

8.1.16.1.1 A management contract, the terms of which have been approved by the Federal Housing Administration or the Veterans Administration.

8.1.16.1.2 A contract with a public utility company if the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

8.1.16.1.3 Prepaid casualty and/or liability insurance policies if not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured.

8.1.16.1.4 Agreements for cable television services and equipment or satellite television services and equipment of not to exceed five (5) years duration.

8.1.16.2 Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that year; provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established. The quorum for this vote shall be as specified in Section 4.6 of these Bylaws, and Members shall be given at least thirty (30) days prior notice of the Board's desire to incur the expenditure, including a written description of the nature and amount thereof.

8.1.16.3 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.

8.1.16.4 Pay compensation to Members of the Board of Directors or committee Members; provided, however, that directors and officers can be reimbursed for reasonable out of pocket expenses, verified in writing, incurred in carrying on the business of the Association.

8.1.16.5 Enter into a Lot in a non-emergency situation unless the Member is furnished with at least twenty-four (24) hours written notice, except in the case of an emergency as more particularly described in Section 3.5 of the Declaration.

8.1.16.6 Approve any transaction: (a) to which the Association is a party and one (1) or more directors have a material financial interest; or (b) between the Association and one (1) or more of its directors or between the Association or any person in which one (1) or more of its directors have a material financial interest.

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

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

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

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

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

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

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

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

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

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

8.2.2.2.6 The current deficiency, if any, in reserve funding expressed on a per unit basis, calculated in accordance with California Civil Code Section 5565;

8.2.2.2.7 A statement as to all of the following:

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

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

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

8.2.2.2.7.4 Whether the Association has any outstanding loans with an original term of more than one (1) year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

8.2.2.2.8 A general statement setting forth the procedures used for the calculation and establishment of reserves to defray the future cost of repair, replacement, or additions to those major components that the Association is obligated to maintain, restore, repair, or replace. The general statement shall include, but need not be limited to, reserve calculations made using the formula described in California Civil Code Section 5300 and may not assume a rate of return on cash reserves in excess of two percent (2%) above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

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

8.2.3 Reserve Study. Cause to be conducted, at least once every three (3) years, a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements of the Development if the current replacement value of such major components is equal to or greater than one-half (1/2) of the gross budget of the Association for the fiscal year, excluding the Association's reserve account for that year. The Board shall review the reserve study (or cause it to be reviewed) annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required by this section shall include the minimum requirements specified in California Civil Code Section 5500 or comparable successor statute.

8.2.4 Reserve Funds. Not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components which the Association is obligated to maintain, restore, repair, or replace and for which the reserve fund was established. The Board may, however, authorize a temporary transfer of money from a reserve fund to the Association's general operating fund to meet short term cash flow requirements or other expenses, so long as the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the money will be repaid to the reserve fund, and that any such transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except as otherwise expressly provided by law. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account.

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

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

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

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

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

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

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

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.

8.2.7 Annual Financial Statements.

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

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

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

8.2.7.2 For any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000.00), distribute to all Members of the

Association within one hundred twenty (120) days after the close of such fiscal year a review of the financial statements of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

8.2.8 Notification Regarding Insurance Coverage. In accordance with California Civil Code Section 5300, not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year, prepare and distribute to all Members a summary of the Association's property, general liability, earthquake and flood and fidelity insurance policies, if any. The summary shall include the name of the insurer, the type of insurance, the policy limits of the insurance, and the amount of deductibles, if any. The Association's disclosure obligations may be satisfied by distributing to the Members a copy of the insurance policy declaration page, so long as that page presents the information specified in the preceding sentence. As soon as reasonably practicable, the Association shall notify the Members by first-class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible for any of those policies. If the Association receives any notice of nonrenewal of a policy described above, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

The summary distributed pursuant to this section shall contain the statement required by California Civil Code Section 5300(b)(9), the current version of which is set forth on attached Exhibit "A". The statement shall be printed in at least ten (10) point boldface type.

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

8.2.9.1 When an annual report is prepared pursuant to this section as required by Civil Code Section 5300 or 5310, the Association shall deliver one of the following documents to all Members, by delivery pursuant to Civil Code Section 4040:

8.2.9.2 The full report.

8.2.9.3 A summary of the report. The summary shall include a general description of the content of the report. Instructions on how to request a complete copy of the report at no cost to the Member shall be printed in at least ten (10) point boldface type on the first page of the summary.

8.2.9.4 Notwithstanding 8.2.9.2 of these Bylaws, if a Member has requested to receive all reports in full, the Association shall deliver the full report to that Member, rather than a summary of the report.

8.2.9.5 A statement describing the Association's policies and practices in enforcing lien rights and other legal remedies for default in payment of assessments as required by California Civil Code Section 5300. This statement shall be distributed not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

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

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

8.2.9.8 A notice and statement concerning the insurance carried by the Association as required by Section 8.2.8 of these Bylaws and California Civil Code Sections 5300 and 5810. This statement shall be distributed not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

8.2.9.9 A pro forma operating budget as required by Section 8.2.2 of these Bylaws and California Civil Code Section 5300(b), including the form specified in California Civil Code Section 5570. The pro forma operating budget shall be distributed not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year.

8.2.9.10 Statement explaining the Members' right to obtain copies of minutes of meetings of the Board as required by Section 7.11 of these Bylaws and by California Civil Code Section 4950(b). This statement may be distributed together with the pro forma operating budget specified in Section 8.2.2 of these Bylaws or at the time of any general mailing to the entire Membership.

8.2.9.11 A notice of the Members' right to receive the annual report specified in Section 8.2.7.1 of these Bylaws. This notice may be distributed in any general mailing to the entire Membership.

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

8.2.9.13 A summary of the reserve funding plan adopted by the Board, as specified in Civil Code Section 5550. The summary shall include notice to Members that the full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any Member upon request.

8.2.10 Notification to Members Regarding Monetary Penalties. Adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of fines that may be assessed against a Member for violations of the Governing Documents in compliance with California Civil Code Section 5855 if the Association has adopted or at any time adopts a policy imposing such fines. The schedule shall be in accordance with the disciplinary provisions of the Governing Documents, including Section 8.1.4 of these Bylaws. No subsequent distribution of the schedule is required unless the Board has made changes in the schedule since it was last distributed to the Members.

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

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

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

8.2.14 Certificate of Payment of Assessments. Issue, or cause an appropriate officer to issue, upon demand by any proper person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

8.2.15 Insurance.

8.2.15.1 Types of Insurance Coverage. The Association shall, at the discretion of the Board of Directors, purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent they are available at a reasonable premium cost:

8.2.15.1.1 Fire and Casualty Insurance. A policy of fire and casualty insurance naming as parties insured the Association and containing the standard extended coverage and replacement cost endorsements and such other or special endorsements as will afford protection and insure, for the full insurable, current replacement cost (excluding foundations and excavation, but without deduction for depreciation) as determined annually by the insurance carrier, of all Common Facilities and the personal property of the Association for or against the following:

8.2.15.1.1.1 Loss or damage by fire or other risks covered by the standard extended coverage endorsement.

8.2.15.1.1.2 Loss or damage from theft, vandalism or malicious mischief.

8.2.15.1.1.3 Such other risks, perils or coverage as the Board of Directors may determine.

8.2.15.1.2 Public Liability and Property Damage Insurance. To the extent such insurance is reasonably obtainable, a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each Member of the Association Board of Directors, any manager, the Associations and occupants of Lots, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the Ownership and use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than Two Million Dollars (\$2,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to common interest development projects similar in construction, location, facilities, and use.

8.2.15.1.3 Director's and Officer's Liability Insurance. To the extent such insurance is reasonably obtainable the Association shall maintain individual liability insurance for its directors and officers providing coverage for negligent acts or omissions in their official capacities. The minimum coverage of such insurance shall be at least One Million Dollars (\$ 1,000,000.00).

8.2.15.1.4 Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this Section, demolition insurance, flood insurance, and workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than one hundred percent (100%) of each year's estimated annual operating expenses and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance, that it deems necessary or desirable to protect the interests and property of the Association and its Members.

8.2.15.2 Coverage Not Available. In the event any insurance policy or any endorsement thereof required by Section 8.2.15.1 of these Bylaws is for any reason unavailable, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage hereinabove described. The Board shall notify the Associations of any material adverse changes in the Association's insurance coverage.

8.2.15.3 Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Associations at any reasonable time.

8.2.15.4 Trustee. All insurance proceeds payable under Section 8.2.15.1 of these Bylaws, may, in the discretion of the Board of Directors, be paid to a trustee to be held and expended for the benefit of the Members, Mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in the County that agrees in writing to accept such trust.

8.2.15.5 Adjustment of Losses. The Board is appointed attorney-in-fact by each Member to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.2.15.1 of these Bylaws. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

8.2.15.6 Annual Review of Association Insurance and Disclosure to Members. The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. At least once every three (3) years, the review shall include a replacement cost appraisal of all insurable Common Area Improvements without respect to depreciation. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent Associations operating in similar common interest developments in the greater Sacramento region. In accordance with California Civil Code section 5310(a)(7), annually the Association shall distribute to its Members a summary of the Association's property, general liability, and flood insurance (if any), such distribution to be made within sixty (60) days prior to the beginning of the Association's fiscal year.

8.2.15.7 Board's Authority to Revise Insurance Coverage. The Board shall have the power and right to deviate from the insurance requirements contained in this Section 8.2.15 of these Bylaws, in any manner that the Board, in its reasonable business discretion, considers to be in the best interests of the Association. If the Board elects to materially reduce the coverage from the coverage required in this Section 8.2.15 of these Bylaws the Board shall make all reasonable efforts to notify the Members of the reduction in coverage and the reasons therefor at least (30) days prior to the effective date of the reduction. The Association, and its directors and officers, shall have no liability to any Member or Mortgagee if, after a good faith effort, the Association is unable to obtain any insurance required hereunder because the insurance is no longer available; or, if available, the insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances; or the Members fail to approve any Assessment increase needed to fund the insurance premiums.

8.2.15.8 Required Notifications to Members Regarding Insurance Maintained by the Association.

8.2.15.8.1 Annual Notice Requirements. The Association shall provide its Members with a summary of the Association's property, general

liability, earthquake, flood, and fidelity insurance policies not less than thirty (30) nor more than ninety (90) days prior to the beginning of the Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer; (b) the type of insurance; (c) the policy limits of the insurance; and (d) the amount of deductibles, if any, to the extent that any of the information required to be included in the annual insurance disclosure is included in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing the page to its Members. The annual insurance summary shall also contain a statement, in at least ten (10) point bold face type that states as follows:

"This summary of the Association's policies of insurance provides only certain information, as required by Civil Code Section 5310(a)(7) 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 Lot and Residence, or personal injuries or other losses that occur within or around your Lot and Residence. 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 their individual insurance broker or agent for appropriate additional coverage."

8.2.15.8.2 Notice of Cancellation of Insurance. The Association shall, as soon as reasonably practicable, notify its Members by first-class mail if any of the policies described in subparagraph (a) 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 policy limits or an increase in the deductible for any policy. If the Association receives any notice of non-renewal of a policy described in Section 8.2.15.8.1 of these Bylaws, the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

8.2.15.9 Limitation on Liability Regarding Insurance Matters. The Association and its directors and officers, shall have no liability to any Member or Mortgagee if, after a good faith effort, the Association is unable to obtain the insurance required hereunder because the insurance is no longer available or, in the alternative, can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances, or the Members fail to approve any Assessment increase needed to fund the insurance premiums. In such event, the Board immediately shall notify each Member and any Mortgagee entitled to notice that the insurance will not be obtained or renewed.

8.2.15.10 Insurance Deductibles. The amount of the deductible portion of any insurance coverage maintained by the Association pursuant to this Section 8.2.15 of these Bylaws shall be established in the reasonable discretion of the Board. In the event that a loss is not the result of the negligent or willful misconduct of a particular Member or a particular guest, tenant or invitee of an Association, or if responsibility cannot clearly be established, the cost of the deductible shall be defrayed by the Association and, if necessary, the deductible shall be recovered from the Member through levy of a Special Assessment pursuant to Section 6.6 of the Declaration. However, if a loss is established to be the result of the negligent or willful misconduct of a particular Member or his or her guest, tenant or invitee, that Member shall be charged with the resulting deductible amount, any amounts not covered by insurance and any increased premium(s) as a Reimbursement Assessment pursuant to Section 6.7 of the Declaration. Before such a Reimbursement Assessment may be imposed, the Member who is alleged to be responsible for the loss shall be entitled to notice and a hearing in accordance with these Bylaws.

8.2.15.11 Owner's Insurance on Lots and Residences. An Owner may carry whatever personal liability, property damage liability, fire and casualty insurance with respect to his or her Lot, Residence and personal property as the Owner desires. The Association shall have no responsibility for the adequacy or extent of such insurance coverage.

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

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

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

ARTICLE 9 OFFICERS AND THEIR DUTIES; COMMITTEES

9.1 Enumeration of Officers. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, who shall at all times be Members of the Board of Directors, and such other officers as the Board of Directors may, from time to time, by resolution appoint.

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

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

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

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

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

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

9.8 President. The President shall be the Chief Executive Officer of the Association and shall, subject to control of the Board, have general supervision, direction, and control of the affairs and the other officers and the employees and agents of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board, shall have the general powers and duties of management usually vested in the office of the President of an Association, and shall have such other powers and duties as may be prescribed by the Board and the Bylaws, subject, however, to any limitations contained in the Declaration.

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

9.10 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may prescribe, a current register showing names of Members and their addresses; a book of minutes of all meetings of Directors, Members, and Committees of the Board setting forth the time and place of holding of such meetings; whether regular or special, and if special, how authorized; the notice thereof given; the names of those present at Directors or Committee meetings; the number of Memberships and votes present or represented at Members' meetings; and all the proceedings thereof. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by the Bylaws or by law to be given and shall maintain a proper record of the giving of such notice, and shall keep the books, records, and documents of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

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

of income and expenditures to be presented to the Members of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board.

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

Committees of the Board shall be prohibited from expending Association funds or entering into any contract on behalf of the Association for services, labor, or materials. The Board shall have the right at any time, in its complete discretion, to disband any Committee of the Board or remove any Member thereof.

9.13 Working Committees. The Board may appoint working committees consisting of at least one (1) person who is not a Director. Directors may be Members of committees created pursuant to this section provided that fewer than a majority of Directors then in office serve on any one such committee. Such committees shall report on their activities to the Board from time to time as directed by the Board and shall operate under the supervision of and at the direction of the Board. No working committee shall have the authority to enter into contracts or otherwise act on behalf of the Association. The Board of Directors shall have the right at any time, in its complete discretion, to disband any working committee or remove any Member thereof.

ARTICLE 10 BOOKS, RECORDS AND FUNDS

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

10.2 Checks, Drafts, and Evidences of Indebtedness. All checks, drafts, or other orders for payment of money and all notes or other evidences of indebtedness, issued in the name of the Association shall be signed in any manner specified by the Board; provided, however, that the signatures of at least one (1) Director and the Association's manager is required for the withdrawal of funds from the Association's reserve account.

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

10.4 Fiscal Year. The fiscal year of the Association shall run from July 1st through June 30th of each year unless otherwise determined by resolution of the Board.

10.5 Delivery of Documents to Members.

10.5.1 Document Distribution. All notices and documents distributed by the Association to the Members shall be delivered by one (1) or more of the following methods:

10.5.1.1 Personal delivery.

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

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

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

10.5.2 Delivery With Other Association Materials. A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by one (1) of the methods provided in Section 10.5.1 of these Bylaws.

10.5.3 Delivery Procedures in Unrecorded Governing Documents. For the purposes of this Section 10.5, an unrecorded provision of the Governing Documents providing for a particular method of delivery does not constitute agreement by a Member to that method of delivery.

ARTICLE 11 AMENDMENTS

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

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

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

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

11.3.2 Delete material that is no longer legally effective; and

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

ARTICLE 12 MISCELLANEOUS

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

CERTIFICATE OF AMENDMENT AND ADOPTION

I hereby certify that:

- A. I am the Secretary of the Auburn Valley Property Owners' Association, Inc.
- B. The preceding Third Restated Bylaws of Auburn Valley Property Owners' Association, Inc., consisting of 28 pages, were duly approved by the required vote of the Members of the Association.
- C. The preceding Third Restated Bylaws now constitute the Bylaws of the Association.

Executed: _____, 2021

Carolyn Clair, 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 Association. 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 Association. 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)