

FIRST AMENDED BYLAWS

OF

SUMMERSET I AT BRENTWOOD ASSOCIATION

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FIRST AMENDED BYLAWS
OF
SUMMERSET I AT BRENTWOOD ASSOCIATION
RECITALS

The name of this California non-profit mutual benefit corporation is **SUMMERSET I AT BRENTWOOD ASSOCIATION**, hereinafter referred to as the "Association." The principal office of the corporation shall be located at such place in the County of Contra Costa, State of California as the Board of Directors may from time to time establish, and the meetings of Members and Directors may be held at such place or at a place designated by the Board of Directors.

ARTICLE 1: DEFINITIONS

The Definitions set forth in Article of the First Amended Declaration of Covenants, Conditions and Restrictions of the Association ("Declaration") recorded in the official records of the Contra Costa County Recorder, and any amendments or supplements recorded or to be recorded pursuant thereto, shall have the same meaning when used herein unless the context clearly indicates a contrary intention, and are hereby incorporated by reference.

ARTICLE 2: MEMBERSHIP

2.1 Requirement for Membership

Every Owner of a Lot within the Development shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from Ownership of the Lot. Membership shall be held in accordance with the Articles, Declaration and Bylaws of the Association. The Owner shall remain a Member thereof until such time as his Ownership ceases for any reason.

2.2 Transfer of Membership

Membership shall terminate automatically when the Owner no longer holds any Ownership interest in any Lot. Membership may not be assigned, transferred, pledged,

hypothecated, conveyed or alienated in any way except on a transfer in accordance with California Civil Code Section 1358. The attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall transfer automatically the appurtenant membership to the transferee. Any party who holds an interest in a Lot merely as security for performance of an obligation shall not be a Member of the Association.

2.3 Multiple Ownership

When more than one person holds an interest in any Lot, all such persons shall be Members of the Association; subject, however, to the voting rights provisions contained in 4.4 below.

2.4 Evidence of Ownership

An Owner shall not be entitled to exercise the rights of a Member until he has provided satisfactory proof of Membership to the Secretary. Such proof may consist of either a copy of a duly executed and acknowledged grant deed or title insurance policy showing said person to be the Owner of an interest in a Lot entitling him to membership. Such deed or policy shall be deemed conclusive in the absence of a conflicting claim based on a later deed or policy.

ARTICLE 3: MEETINGS

3.1 Place of Meetings

Meetings of the Members shall be held within the Development or at such other reasonable place within the County and at such date and place as may be designated by the Board in the notice of the meeting.

3.2 Annual Meetings

Regular annual meetings of the Members shall be held on the third Monday in January in the Association recreation building or as otherwise established by the Board of Directors of the Association. The exact date and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members in accordance with 3.4 below.

3.3 Special Meetings

Special Meetings of the Members may be called at any time by the President, by the Board or by Members constituting five percent (5%) of the voting power of the Association. A Special Meeting of the Members of the Association shall be promptly called by the President, or if the President refuses, by any two Members of the Board upon:

- (a)** The vote for such a Special Meeting by the majority of a Quorum of the Board;

or

(b) Receipt by the Board of a written request for such a Special Meeting signed by Members representing not less than five percent (5%) of the voting power of the Association. The request for Special Meeting shall specify the general nature of the business to be transacted, and shall be delivered personally or sent by first-class, certified or registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to all members of the Association, in accordance with the provisions of 3.4 below, that a meeting will be held, and the date, time and purpose of such meeting, which date shall not be less than ten (10) nor more than ninety (90) days following receipt of the request. If notice of the meeting is not given within twenty (20) days after receipt of the request, the Members requesting the meeting may give the notice.

3.4 Notice of Meetings and Delivery of Documents

(a) Written notice of each meeting shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, first class postage prepaid, at least ten (10) and not more than ninety (90) days before such meeting to each Member entitled to vote. The notice shall set forth the place, date and hour of the meeting and specify the matters the Board intends to present for action by the Members, but except as otherwise provided by law, any proper matter may be presented at the meeting for action. The notice of any meeting at which Directors are to be elected shall include the names of all nominees whose names are known at the time notice is given to the Members.

Each Member shall, together with the notice of the Annual Meeting (or Special Meeting if action is to be taken), be provided with the form of proxy by which the Member may designate the President of the Association or any other person of the Member's choice to vote on behalf of the Member on matters which may come before the membership meeting. Notice and the form of proxy shall be addressed to a Member at such Member's address last appearing in the books of the Association, or supplied by such Member to the Association for the purpose of notice. Mailed notices shall be deemed delivered forty-eight (48) hours after same are mailed by first class mail, postage pre-paid.

(b) A document shall be delivered by one of the following methods:

(1) Personal delivery.

(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 the fifth day after deposit into the United States Mail.

(3) E-mail, facsimile, or other electronic means, if the sender and recipient have agreed to that method of delivery. A provision of the governing documents providing for electronic delivery does not constitute agreement by a Member of an association to that form of delivery. If a document is delivered by electronic means, delivery is complete at the time of transmission.

(4) A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by one of the methods provided for in this article.

3.5 Specification of Certain Significant Actions

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

- (a) Removing a Director without cause;
- (b) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to 5.7 of these Bylaws;
- (c) Amending the Articles of Incorporation of the Association, these Bylaws or the Declaration in any manner requiring approval of the Members;
- (d) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or
- (e) Voting upon any election to voluntarily terminate and dissolve the Association.

3.6 Affidavit of Mailing

An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary of the Association and, if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence of proper notice.

3.7 Parliamentary Procedures

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

3.8 Quorum; Adjournment

Except as otherwise provided by law, in the Declaration, or in these Bylaws, the presence at Membership meetings of at least a majority (51% or more) of the total

voting power of the Association, in person or by proxy, shall constitute a Quorum. If, however, such Quorum shall not be present or represented at any meeting, a majority of the Members entitled to vote thereat shall have the power to adjourn the meeting to a time not less than five (5) or more than thirty (30) days from the time the original meeting was called, without notice other than announcement at the meeting. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if a new date is fixed for the adjourned meeting after the adjournment of the original meeting, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for Annual Meetings. At any such adjourned meeting, the Quorum requirement shall be thirty-three and one-third percent (33-1/3%) of the voting power of the membership. The only matters upon which action may validly be taken at the adjourned meeting are those matters which were described in the notice of the meeting, unless a higher Quorum requirement is necessary to take valid action under these Bylaws, the Declaration, or by law. The Members present at a duly called meeting at which a Quorum is present shall continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a Quorum.

3.9 Waiver of Notice or Consent by Absent Members

(a) Waivers and Consents, Generally.

If decisions are made or action is otherwise taken by the Members at a meeting where a Quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting (in person or by proxy) consents to the meeting by signing: (1) a written waiver of notice; (2) a consent to holding the meeting; or (3) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in 3.5 above, in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting.

Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting, at the beginning of the meeting, to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein, pursuant to 3.5 above, if that objection is expressly made at the meeting.

3.10 Record Dates for Notice, Voting, and Written Consent

(a) Record Dates Established By the Board of Directors.

For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by Written Ballot without a meeting or exercise of any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by Written Ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this section must be in accordance with the following requirements:

(1) Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall be not more than ninety (90) nor less than ten (10) days before the date of the meeting;

(2) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall not be more than sixty (60) days before the date of the meeting;

(3) Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast Written Ballots, the record date shall not be more than sixty (60) days before the day on which the first Written Ballot is mailed or solicited; and

(4) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action requiring Member approval, the record date shall not be more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

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

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

(3) Record Date for Action by Written Ballot Without Meeting. The

record date for determining those Members entitled to vote by Written Ballot on proposed Association actions without a meeting shall be the day on which the first Written Ballot is mailed or solicited.

(4) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.

(5) "Record Date" Means as of Close of Business. For purposes of this subparagraph b., a person holding membership as of the close of business on the record date shall be deemed to be the Member of record.

ARTICLE 4: VOTING

4.1 Required Vote of Members

Except as provided elsewhere by law, in these Bylaws or in the Declaration, all matters to be decided by the Members shall be determined by the vote of Members representing a majority of the votes cast, in person or by proxy, at a meeting at which a Quorum is present. In the case of Directors' elections, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected to the vacant Director positions.

(a) Cumulative Voting

Cumulative voting applies only when electing or removing Directors. Members shall be entitled to cast a number of votes equal to the number of Directors to be elected multiplied by the number of Lots owned. Every Member may cumulate his or her votes and give them to a single candidate or distribute them among as many candidates as he or she thinks fit, as long as the name of any candidate for whom the Member casts cumulated votes has been put into nomination prior to the commencement of voting.

4.2 Voting Rights

The Association shall have one class of voting membership. On each matter submitted to a vote of Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Lot owned by such Member subject to the provisions of 4.4 below.

4.3 Eligibility to Vote

Only Members in good standing shall be entitled to vote on any issue or matter

presented to the Members for approval. In order to be in good standing, a Member must not be more than thirty (30) days delinquent in the payment of any Assessment levied against the Member's Lot, or any monthly Assessment, and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with Article 6 of the Declaration. A Member's good standing shall be determined as of the record date, which date shall be ascertained as provided in 3.10 above. No penalty or temporary suspension of voting rights shall be imposed unless there has been full compliance with the notice and hearing requirements of the Declaration.

4.4 Multiple Ownership

When more than one person holds an interest in any Lot, the vote or votes for such Lot shall be cast as a whole (a) as a majority of the Co-Owners of such Lot agree (in the absence of which agreement no vote shall be cast for such Lot on the particular matter upon which they cannot agree); or (b) by one of the Owners of such Lot designated by the Record Owners of the Lot by written notice to the Board as the Voting Member for such Lot. The designation of a Voting Member shall be revocable at any time by actual notice to the Board given by any of the Lot Owners of record or by the death or judicially declared incompetency of any record Lot Owner. The power to designate a Voting Member or to revoke such designation may be exercised by a Lot Owner's conservator, by the guardian of such Owner's estate, by the parent(s) or legal guardian of such Owner in the case of an Owner who is a minor, by the Trustee of any Trust which owns a Lot, or, during the administration of an Owner's estate, by the executor or administrator of a deceased record Owner where such deceased Owner's interest in the Lot is subject to estate administration.

4.5 Methods of Voting

(a) Voting by Secret Ballot Conducted by an Election Inspector at a Meeting or by Mail. The Association shall establish Rules for the selection and use of election inspectors to conduct Secret Balloting for voting on the following issues as required by Civil Code section 1363.03: Director Elections; Governing Document Amendments; Assessment Increases; Conversion of Common Area to Exclusive Use Common Area. The Election inspector or inspectors shall gather and tabulate the votes and report results to the Association. The Association shall retain ballots for 12-months following the voting. If Secret Ballots are mailed to the election inspector or inspectors, Membership approval shall only be valid if: (1) the number of votes cast within the time established for return of the ballots equals or exceeds the Quorum that would have been required to be present at a Membership meeting if such a meeting had been convened to vote on the proposal; and (2) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(b) Vote by Voice or Written Ballot at a Meeting. Each Member may vote at Membership meetings in person or by proxy. Voting at meetings shall be by voice or by Written Ballot, except where Secret Ballots are required by section 4.5(a) and except where a Secret Ballot is requested by at least 10% of the Members present or if called for by the chairman of the meeting.

(c) Written Mail in Ballot. Any matter or issue requiring the vote of the Members (other than the four issues requiring Secret Ballots as provided in section 4.5(a) above) may be submitted for vote by Written Ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by Written Ballot set forth in this section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board or by Members possessing five percent (5%) of the Voting Power of the Association signing a written request that a proposal be presented to the Members for a vote by Written Ballot and delivering this request to the president, vice president or secretary of the Association. Any Written Ballot distributed to the Members to vote on any issue shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. Membership approval by Written Ballot shall only be valid if: (1) the number of votes cast within the time established for return of the ballots equals or exceeds the Quorum that would have been required to be present at a Membership meeting if such a meeting had been convened to vote on the proposal; and (2) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(d) Balloting Time Requirements. Ballots, whether Secret Ballots or Written Ballots, shall be distributed to all eligible Members at least thirty (30) days prior to the final date the Ballots must be received by the Association in order to be counted. All Ballots shall provide a reasonable time within which to return the Ballot to the Association and shall state on the face of the ballot or in an accompanying notice, the date by which the Ballot must be returned in order to be counted. The Board or election inspector(s) may reserve the right to extend the time to return Ballots if such an extension is necessary in order to obtain a quorum.

(e) Proxies

(1) Proxies Generally. All proxies shall be in writing, dated, and filed with the Secretary of the Association. No proxy shall be valid for more than 11 months from the date of its execution, and a proxy shall remain valid unless earlier revoked by the Member prior to the vote for which it was executed. Any proxy issued hereunder shall be revocable by: (1) delivery to the Secretary of a written notice of revocation; (2) a subsequent proxy executed by the Member and presented to the meeting; or (3) as to any meeting, by attendance at such meeting and voting in person. The date contained in the proxy shall presumptively determine the order of execution, regardless of the postmark contained on the envelope in which mailed. A proxy shall be deemed revoked upon the Secretary's receipt of actual notice of the death or judicially declared

incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner.

(2) Limited Proxies. Any form of proxy must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and if the proxy-giver has specified a choice with respect to any such matter, the proxy holder shall be obligated to cast the vote in accordance with the proxy-giver's preference.

(3) Restriction or Elimination of Proxy Rights; Limitation on Authority. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a Majority of the Members.

(4) Proxy Rules for Memberships Held by More than One Person.

Where two or more persons constitute a Member, any proxy with respect to the vote of such Member shall be executed pursuant to and in accordance with the provisions of 4.4 above.

(f) Solicitation Rules. All solicitations of Ballots (whether Written Mail in Ballots or Secret Ballots) shall indicate: (1) the number of responses needed to meet the Quorum requirement for valid action; (2) the time by which the Ballot must be received by the Association in order to be counted; and (3) the percentage of affirmative votes necessary to approve the measure.

(g) Notification of Results of Balloting Process. Upon tabulation of the Ballots, the Board shall notify the Members of the outcome of the vote within thirty (15) days following the close of the balloting process and tabulation of the ballots. If the number of Ballots cast with respect to any matter is insufficient to satisfy the minimum Quorum requirements, the Board shall so notify the Members.

(h) Conduct of Informational Meetings. Use of the Ballot procedures set forth herein shall not preclude the Association from also conducting informal informational meetings of the Members so long as all views are accorded equal access to Association meeting places or publications in order to voice differing views.

(i) Action by Unanimous Written Consent

Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a Written Ballot) if all Members shall individually or collectively consent in writing to the action. If

action is taken by written consent, the consent shall be filed with the Association's minutes.

ARTICLE 5: BOARD OF DIRECTORS

5.1 Number

The affairs of the Association shall be managed by a Board of five (5) Directors who must be Members in good standing, with no delinquent Assessments or outstanding fines or penalties due to the Association. If any Director ceases to be an Owner, membership on the Board shall terminate immediately. In the event the Owner is a corporation or trust, the president of the corporation or the trustee of the trust may designate the person who will be eligible to serve as Director. No more than one (1) member of the same household shall serve on the Board of Directors at the same time.

5.2 Term of Office

Members shall elect directors to terms of two (2) years. Voting shall be pursuant to procedures provided in 4.1. Directors so elected shall serve until a successor Director has been elected and qualified. A Director who is elected or appointed to fill a vacant position shall serve the remainder of the term of the Director he or she replaces. There shall be no limitation on the number of consecutive terms to which a Director may be re-elected. It is the intent of this Section to provide for staggered terms of Directors, with three directors being replaced at one annual meeting and two Directors being replaced at the next annual meeting.

5.3 Removal of Director by Board

The Board of Directors shall have the power and authority to remove a Director and declare his or her office vacant if he or she (1) has been declared of unsound mind by a final order of court; (2) has been convicted of a felony; (3) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236 (relating to the standards of conduct of Directors); or (4) fails to attend three (3) regular meetings of the Board of Directors in any calendar year that have been duly noticed.

5.4 Removal of Director by Members

Except as otherwise provided in 5.3 hereof, a Director may only be removed from office prior to expiration of his or her term by the affirmative vote of a majority of a Quorum of the Members. Any membership action to recall or remove a Director shall be conducted in accordance with the following procedures:

(a) A petition must be presented in person to the president, vice president or secretary of the Association that carries the signatures of Members in good standing who represent at least five percent (5%) percent of the Voting Power of the

Association. Such petition must set forth the reason(s) the petitioners are seeking the Director's removal; the signature and Lot number(s) of each petitioner in his or her own handwriting; the name(s) of the sponsor(s) of the petition; and fulfill all other conditions required by law.

(b) Within twenty (20) days after receipt of such petition, the Board shall either call a Special Meeting or announce the procedures for conducting a Written Ballot of the Members to vote upon the requested recall. Such meeting or Written Ballot shall be conducted not less than ten (10) nor more than ninety (90) days after the petition is presented. If the board fails to set a date for, and give the Members notice of, such meeting or Written Ballot within twenty (20) days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(c) The Director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing or both. If in writing, such rebuttal shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(d) If the Quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

5.5 Compensation

No Director shall receive compensation for any service he or she may render to the Association in his or her capacity as Director. A Director may not be paid or contract with the Association. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties as Director if prior approval has been granted.

5.6 Resignation

A Director may resign at any time, effective upon giving written notice to the President or to the Secretary or to the Board, unless the notice specifies a later time for the resignation of a Director to be effective. If the resignation of a Director is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

5.7 Vacancies

A vacancy on the Board shall be deemed to exist in any of the following events: (1) death, resignation or removal of a Director; (2) the Board, by resolution, declares vacant the office of a Director who has been judicially declared insane or incompetent or who has been convicted of a felony; (3) the Board, by resolution, declares vacant the office of a Director who was absent from three (3) meetings in any calendar year (including organizational meetings) of the Board that have been duly noticed; (4) a Director has ceased to be an Owner; (5) the authorized number of Directors is

increased; or (5) the Members fail, in connection with the Annual Meeting, to elect the number of Directors to fill all vacant positions.

No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

Vacancies on the Board may be filled by a majority of the remaining Directors, though less than a Quorum, except that a vacancy created by the removal of a Director by the Members or by court order may be filled only by the Members. The Members, by the vote or written consent of a majority (51% or more) of the voting power of the Association, may elect a Director or Directors at any time to fill any vacancy or vacancies which the Directors are unable or unauthorized to fill.

ARTICLE 6: NOMINATION AND ELECTION OF DIRECTORS

6.1 Good Standing Requirement for Candidacy

In order to be eligible for nomination and election to the Board, the Association secretary must certify that the candidate-Member is in good standing with the Association and is current in the payment of his or her Assessments.

6.2 Nomination of Directors

Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) At least ninety (90) days prior to the date of any election of Directors, the president shall appoint a Nominating Committee to select qualified candidates for election to those positions on the Board of Directors held by Directors whose terms of office are then expiring. The Nominating Committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association who may or may not be Board members. The Nominating Committee shall make its report at least sixty (60) days before the date of the election, and the secretary shall forward to each Member, a list of the nominees. The Nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled.

(b) Petition Procedure. A Member can become a candidate for election to the Board by filing with the Secretary a notice of candidacy. Any notice of candidacy must be filed with the secretary no later than thirty (30) calendar days and no earlier than fifty (50) calendar days prior to the date set for voting on director elections.

6.3 Campaigning for Office

The Association will not pay for candidates campaigning. All candidates have the

same opportunity to campaign and may use their own money if they choose.

6.4 Election of Directors

(a) Directors shall be elected by secret mail written ballot as provided in section 4.6, above. This section is intended to comply with requirements of California Civil Code section 1363.06 or other superseding statute.

(b) Determination of Election Results; Succession to Office The candidates receiving the highest number of votes shall be elected as Directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by lot. The tie-breaking lot shall be conducted by the election inspector conducting the election of directors.

ARTICLE 7: MEETINGS OF DIRECTORS

7.1 Annual Meeting

Immediately following each Annual Meeting of Members, the Board of Directors shall hold its first Regular Meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

7.2 Regular Meetings

Regular Meetings of the Board of Directors shall be held bimonthly, at such place and time as may be fixed from time to time by resolution of the Board. Notice of the time and place of Regular Meetings shall be given to the Members at the beginning of the year stating the time and place for the board meetings, or notice of the time and place of Board meetings may be given to the Members as otherwise provided in California Civil Code Section 1363.05 or any superseding statute. If the date of any Regular Meeting is changed from the date provided to the Members at the beginning of the year, the Members shall be given at least four (4) days' notice of the changed date, in the manner provided in Civil Code 1363.05 or comparable superseding statute.

7.3 Special Meetings

Special Meetings of the Board of Directors shall be held when called by the President of the Association or by any two (2) Directors upon not less than four (4) days prior written notice to each Director by first class mail or forty-eight (48) hours notice given personally or by telephone, telegraph or facsimile transmission. Such notice shall specify the time, place and subject matter of the meeting. No matters other than those specified in the notice may be discussed at such Special Meeting. Notice of Special Meetings shall be provided to the Members at least four (4) days prior to any such meeting date in accordance with 7.2 above, except for special board meetings to discuss an emergency that could not have been reasonably foreseen.

7.4 Executive Session

The Board of Directors may, with the approval of the majority of a Quorum of its members, adjourn any meeting of the Board and reconvene in executive session to discuss and vote upon personnel matters, litigation, matters related to a payment plan for delinquent Assessments, or matters relating to the formation of contracts with third parties California Civil Code Section 1363.05 or any superseding statute. Upon request of a Member being disciplined, the Board of Directors shall meet in executive session and the Member shall be entitled to attend that portion of the executive session addressing the disciplinary action. Before commencement of any such executive session, the nature of any and all business to be considered in executive session shall be announced in open session.

7.5 Emergency Meetings

Emergency meetings of the Association may be held as provided in California Civil Code Section 1363.05 subdivision (h) or any superseding statute. The Directors shall have the right to take any action in the absence of a meeting which they could take at an emergency meeting by obtaining the written approval of all the Directors. Said written approvals shall be filed with the minutes of the proceedings of the Board. Any action so approved shall have the same effect as though taken at a Regular Meeting of the Directors.

7.6 Quorum

A majority of the number of 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.

7.7 Participation by Members

Regular and Special Meetings of the Board, except for that portion of the meetings of the Board held in executive session for the reasons specified in 7.4 above, shall be open to all Members of the Association. The Members may speak to the Board on any subject pertaining to Association business, subject to the right of the Board of Directors to impose such conditions and time limits so as to enable the Board to conduct its meeting in an orderly and timely fashion.

7.8 Participation in Meetings by Conference Telephone

Members of the Board may participate in any meeting, regular or special, through use of a conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another and all Directors so participating shall be deemed to be present in person at the meeting.

7.9 Waiver of Notice

Notice of a meeting, whether regular or special, need not be given to any Director who, whether before or after the meeting, signs a waiver of notice, or a written consent to holding the meeting. All such waivers and consents shall be filed with the corporate records or made a part of the minutes of the meeting; provided that in no case shall a meeting be valid unless the notice of the meeting has been posted as required.

7.10 Action Without A Meeting

Any action required or permitted to be taken by the Board may be taken without a meeting if all Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. Notice to Members of any action so taken shall be mailed to all Members within three (3) days of the date such action was taken.

7.11 Adjournment

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

ARTICLE 8: POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers and Duties

The Board of Directors shall have the following powers and duties:

(a) To perform all acts and to exercise all powers, duties and authority vested in or delegated to this Association under the governing documents and under the laws of the State of California and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(b) To adopt and establish Rules and Regulations, subject to the provisions of the Declaration, governing the use of the Common Area and Private Roads and the personal conduct of the Members, their family members, lessees, tenants, contract purchasers and guests thereon, and to take such steps as it deems necessary for the enforcement of such rules and regulations, including the establishment of a schedule of fines as provided in Civil Code Section 1363, and the imposition of monetary penalties and/or the suspension of voting rights and the rights to use the Private Roads; provided

notice and a hearing are provided as particularly set forth in the Declaration;

(c) To elect officers and fill vacancies on the Board of Directors or on any committee, except a vacancy created by the removal of a Board member;

(d) To bring and defend actions on behalf of the Association or its Members to protect the interests of the Members or the Association, as long as the action is pertinent to the operations of the Association;

(e) To provide, contract for, and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Private Roads and any other portions of the property which the Association is obligated to maintain;

(f) To appoint such agents and retain such other persons or entities, including attorneys and accountants, as it sees fit to assist in the operation of the Association, to fix their duties consistent with the law, and to establish their compensation;

(g) To delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation, the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board;

(h) To pay taxes and special assessments which are or would become a lien on any portion of the entire development or Private Roads, and to discharge any lien or encumbrance levied against the entire development or Private Roads;

(i) To pay for reconstruction of any portion of the development damaged or destroyed in accordance with the Declaration;

(j) To supervise all officers, agents and employees of the Association and see that their duties are properly performed;

(k) To cause all officers or employees having fiscal responsibilities to be bonded, in accordance with the Declaration;

(l) To prepare budgets and financial statements for the Association;

(m) To maintain liability, workers' compensation and other insurance on behalf of the Association and for bonding of Directors and Association employees;

(n) To cause to be kept a complete record of all of its acts and corporate affairs, including minutes of the meetings of the Association and financial records of the Association; distribute all but executive session minutes to any Member upon written request and upon reimbursement of the Association's costs to copy and distribute the

same; and distribute to the Members financial information as provided in Article 13: of these Bylaws;

(o) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property as security for money borrowed or debts incurred subject to the approval of fifty-one percent (51%) of the voting power of the Association;

(p) To borrow money, and only with the assent (by vote or written consent) of a majority (51% or more) of the voting power of the Association, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(q) To dedicate, sell or transfer all or any part of the Private Road to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of the Members, agreeing to such dedication, sale or transfer;

(r) To participate in mergers and consolidations with other non-profit corporations organized for the same purpose or to annex additional residential property and Private Roads, provided that, except as provided in the Declaration, any merger, consolidation or annexation shall have the assent by vote of two-thirds (2/3) of the Members or by the written consent of all of the Members;

(s) To levy and collect Assessments from the Members of the Association in accordance with the Declaration;

(t) To fix and enforce reasonable penalties for non-payment of Association Assessments, and to foreclose the lien against any Lot for delinquent Assessments in accordance with the Declaration;

(u) To enforce all applicable provisions of the governing documents relating to the control, management and use of the Private Roads, including enforcement of liens and penalties for non-payment of Assessments;

(v) To suspend the voting rights of a Member during any period such Member shall be in default in the payment of any Assessment levied by the Association or, for a period not exceeding thirty (30) days, to suspend such right for infraction of the Rules, provided that such voting rights may only be suspended after notice and an opportunity to be heard in accordance with the Declaration;

(w) To issue, or cause an appropriate office to issue, upon demand by any 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 these certificates. If a certificate

states an Assessment has been paid, such certificate shall be conclusive of such payment;

(x) To establish committees of the Board and to delegate such powers to such committees and to such officers and employees of the Association as the Board may authorize; and

(y) To open bank accounts on behalf of the Association and designate the signatories to such bank accounts.

8.2 Limitation of Powers

Without the vote or written consent of a majority of the Voting Power of the Association, the Board shall not take any of the following actions:

(a) 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; provided, however, that this limitation shall not apply to the sale or other disposition of Lots acquired by the Association in foreclosure proceedings;

(b) Pay compensation to Directors or officers of the Association; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred, if reasonable, in carrying on the business of the Association;

(c) Fill any vacancy on the Board of Directors created by the removal of a Director by action of the Members;

(d) Enter into a contract with a third party for the furnishing of goods or services to the Association for a term longer than three (3) years. This restriction shall not apply to: (1) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; (2) prepaid casualty or liability insurance policies not to exceed three (3) years duration; provided the policies allow short rate cancellation by the insured; or

(e) Incur aggregate expenditures for capital improvements to the Common Area or Private Roads in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal 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 fulfills the purpose for which the fund was established.

8.3 Operating Rules

As used in this Article:

(a) "Operating Rule" means a regulation adopted by the Board of Directors of the Association that applies generally to the management and operation of the common interest development or the conduct of the business and affairs of the Association. Rules in effect prior to January 1, 2004 are not affected by this Section.

(b) "Rule Change" means the adoption, amendment, or repeal of an Operating Rule by the Board of Directors of the Association.

(c) An Operating Rule is valid and enforceable only if all of the following requirements are satisfied:

(1) The rule is in writing.

(2) The rule is within the authority of the Board of Directors of the Association conferred by law or by the Declaration, Articles of Incorporation or Bylaws of the Association.

(3) The rule is not inconsistent with governing law and the Declaration, Articles of Incorporation and Bylaws of the Association.

(4) The rule is adopted, amended, or repealed in good faith and in substantial compliance with the requirements of this article.

(5) The rule is reasonable.

(d) This article applies to an Operating Rule relating to any of the following subjects:

(1) Use of the Common Area or of an Exclusive Use Common Area.

(2) Use of a Separate Interest, including any aesthetic or architectural standards that govern alteration of a Separate Interest.

(3) Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties.

(4) Any standards for delinquent Assessment payment plans.

(5) Any procedures adopted by the Association for resolution of Assessment disputes.

(e) This article does not apply to the following actions by the Board of Directors of the Association.

(1) A decision regarding maintenance of the Common Area.

(2) A decision on a specific matter that is not intended to apply generally.

(3) A decision setting the amount of a Regular or Special Assessment.

(4) A rule change that is required by law, if the Board of Directors has no discretion as to the substantive effect of the rule change.

(5) Issuance of a document that merely repeats existing law or the governing documents.

(f) Proposed Operating Rule Change. The Board of Directors shall provide written notice of a proposed Operating Rule Change to the Members at least 30 days before making the Rule Change. The notice shall include the text of the proposed Operating Rule Change and a description of the purpose and effect of the proposed Operating Rule Change. Notice is not required under this subdivision if the Board of Directors determines that an immediate Operating Rule Change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association. Such Operating Rule Changes shall be known as Emergency Rule Changes.

(1) A decision on a proposed Operating Rule Change shall be made at a meeting of the Board of Directors, after consideration of any comments made by Association Members.

(2) If the Operating Rule Change was an Emergency Rule Change made under subdivision (f), the notice shall include the text of the Operating Rule Change, a description of the purpose and effect of the Operating Rule Change, and the date that the Operating Rule Change expires.

(3) If the Board of Directors determines that an immediate Operating Rule Change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association, it may make an Emergency Rule Change; and no notice is required, as specified in this Article. An Emergency Rule Change is effective for 120 days, unless such an Emergency Rule Change provides for a shorter effective period. An Operating Rule Change made under this subdivision may not be readopted under this subdivision.

(4) A notice required by this section is subject to 3.4 of these Bylaws.

(g) Reverse an Operating Rule Change. Members of the Association owning 5 percent (5%) or more of the Lots may call a Special Meeting to reverse an Operating Rule Change.

(1) A Special Meeting may be called by delivering a written request to the President or Secretary of the Board of Directors, after which the Board shall deliver notice of the meeting to the Association's Members and hold the meeting in conformity with Section 7511 of the Corporations Code. The written request may not be delivered more than 30 days after the Members of the Association are notified of the Operating

Rule Change. Members are deemed to have been notified of an Operating Rule Change on delivery of notice of the Operating Rule Change, or on enforcement of the resulting Operating Rule, whichever is sooner. For the purposes of Section 8330 of the Corporations Code, collection of signatures to call a Special Meeting under this section is a purpose reasonably related to the interests of the Members of the Association. A Member request to copy or inspect the membership list solely for that purpose may not be denied on the grounds that the purpose is not reasonably related to the Member's interest as a Member.

(2) The Operating Rule Change may be reversed by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a Quorum is present or by Written Ballot in conformity with Section 7513 of the Corporations Code.

(3) When a Lot is Co-owned, 4.4 shall apply.

(4) An Operating Rule Change reversed under this section may not be readopted for one year after the date of the meeting reversing the Operating Rule Change. Nothing in this section precludes the Board of Directors from adopting a different Operating Rule on the same subject as the Operating Rule Change that has been reversed.

(5) As soon as possible after the close of voting, but not more than fifteen (15) days after the close of voting, the Board of Directors shall provide notice of the results of a Member vote held pursuant to this section to every Association Member. Delivery of notice under this subdivision is subject to 3.4.

ARTICLE 9: OFFICERS AND THEIR DUTIES

9.1 Enumeration of Officers

The officers of the Association shall be a President, a Vice President, a Secretary, and a Chief Financial Officer and such other officers as the Board may from time to time by resolution create. Any person may hold two or more offices, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as President.

9.2 Election of Officers

The election of officers shall take place at the first meeting of the Board following each Annual Meeting of the Members.

9.3 Term

The officers of this Association shall be elected annually by and from the Board. All officers shall hold office for one (1) year unless such officer shall sooner resign, or shall be removed, or shall otherwise be or become disqualified to serve.

Each Director shall serve until the election and qualification of his or her successor.

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. An 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 of the Board. The officer appointed to fill such vacancy shall serve for the remainder of the term of the officer he or she replaces.

9.7 Duties

The duties of the officers shall be as follows:

(a) President. The President shall be the Association's Chief Executive Officer and, subject to supervision by the Board, shall have general management and control of the business and affairs of the Association. The President shall preside at all meetings of the Members and of the Board, and see that orders and resolutions of the Board are carried out. The President shall perform such other duties as the Board may prescribe.

(b) Vice President. The Vice President shall act in the place and stead of the President in the event of the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board or the President.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notices of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; have custody of the Association's minute books and other non-financial corporate records; perform such other duties as may be required by the Board; and cause the Association to comply with the requirements of Article 12: below.

(d) Chief Financial Officer. The Chief Financial Officer shall be the Treasurer of the Association and shall receive and deposit in appropriate bank accounts all monies of the Association; disburse such funds as directed by resolution of the Board; keep proper books of account; and cause the Association to comply with the requirements of Article 13: below.

ARTICLE 10: COMMITTEES

10.1 Committees

In addition to the Nominating Committee appointed and constituted pursuant to 6.2 of these Bylaws and the Architectural Committee appointed and constituted pursuant to the Declaration, the Board may, by resolution adopted by a majority of the Directors then in office, designate one (1) or more committees to serve at the pleasure of the Board.

10.2 Meetings and Actions of Committees

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article 7: of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its Members for the Board of Directors and its members, except that the time for Regular Meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special Meetings of committees may also be called by resolution of the Board of Directors of the committee. Notice of Special Meetings of committees shall also be given to any and all alternate Members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

ARTICLE 11: INDEMNIFICATION OF OFFICERS, DIRECTORS AND AGENTS

11.1 Rights of Indemnity

The Association shall indemnify each Director, officer, committee member, employee or other agent of the Association who is a party to or is threatened to be made a party to any proceedings, including a proceeding by or in the right of the Association, by reason of the fact that such person is or was a Director, officer, committee member, employee or agent of the Association, against all expenses and liabilities actually and reasonably paid or incurred in connection with such proceedings to the maximum extent permitted by the California Non-Profit Mutual Benefit Corporation Law. Terms used in this Article 11: shall have the same meaning as in Section 7237 of the California Non-Profit Mutual Benefit Corporation Law.

11.2 Approval of Indemnity

Upon written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine whether the applicable standard of conduct set forth in the California Non-Profit Mutual Benefit Corporation law has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to such proceeding with respect to which indemnification is sought prevents formation of a Quorum of Directors who are not parties to such proceedings, the Board shall promptly call a Special Meeting of Members. At such meeting, the Members shall determine whether the applicable standard of conduct set forth in the California Non-Profit Mutual Benefit Corporation Law has been met and, if so, the Members shall authorize indemnification. Members or other persons seeking to be indemnified shall not be entitled to vote on the question of indemnification.

11.3 Advancement of Expenses

To the full extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a Director, officer, committee member, employee or agent seeking indemnification under these Bylaws in defending any proceedings covered by these Bylaws shall be advanced by the Association prior to the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the Director, officer or committee member, employee or the agent to repay such amount unless it is ultimately determined that such person is entitled to be indemnified by the Association with respect to such expenses.

11.4 Insurance

The Association shall have the power to purchase and maintain insurance on behalf of its Directors and officers against other liability asserted against or incurred by any Director or officer in such capacity or arising out of the Director's or officer's agent status.

ARTICLE 12: BOOKS AND RECORDS

12.1 Availability to Members

Association Records and Enhanced Association Records shall be available for inspection and copying by any Member or his/her duly appointed representative at the Association Office so long as the Member seeking the Records states in writing the purpose for the request. Records so obtained may not be used for any commercial purpose. Current year Records shall be available within ten (10) days or written request and the previous two years of Records shall be available within thirty (30) days of written request. The Board shall establish reasonable rules with respect to:

- (a)** Notice to be given to the custodian of records by any Member desiring to make

the inspection; and

- (b) Payments of the cost of reproducing and redacting copies of documents requested by a Member;
- (c) Members of the Association requesting in writing to be removed from the Membership List which is part of the Association Records.

12.2 Availability to Directors

Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical Development owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at the cost of the Association.

ARTICLE 13: FINANCIAL INFORMATION; REQUIRED NOTICES

13.1 Operating Account

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

13.2 Other Accounts

The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for future repairs, betterments, replacements and additions to Private Roads and Common Areas as set forth in the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

13.3 Reserves

Any amounts collected by or paid to the Association in excess of operational needs shall be set aside in the Reserve Account for future financial needs in the manner set forth in the Declaration and shall be deposited into insured interest bearing accounts.

13.4 Execution of Corporate Contracts and Instruments

Except as otherwise specifically authorized by the Board, all contracts, leases, mortgages, deeds and other written instruments entered into in the name of the Association shall require the signatures of two (2) officers, namely, the President or, in

his absence, inability or refusal to act, the Vice President and any other officer of the Association.

13.5 Checks, Drafts, Notes, Evidence of Indebtedness

All checks, drafts, notes, or other evidence of indebtedness issued in the name of or payable by the Association shall be signed or endorsed by any two (2) officers of the Association, except as otherwise specifically authorized by the Board. All checks written on the reserve account must be signed or endorsed by any two (2) officers of the Association.

13.6 Fiscal Year

The fiscal year of the Association shall begin on the first (1st) day of October and end on the thirtieth (30th) day of September.

13.7 Budgets and Financial Statements

The following financial statements and related information for the Association shall be prepared. Copies thereof shall be distributed to each Member of the Association:

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

(1) A statement of the amount of regular Assessments for the next succeeding fiscal year;

(2) The estimated revenue and expenses on an accrual basis;

(3) A summary of the Association's reserves based upon the most recent review or study conducted in accordance with subparagraphs (4) and/or (5) as provided under California Civil Code Section 1365.5, which shall be printed in bold type and include all of the following:

A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component;

B) As of the end of the fiscal year for which the study is prepared;

i) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components;

ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major

components; and

iii) The percentage that the amount determined for purposes of subparagraph 2) is of the amount determined for purposes of subparagraph 1);

iv) A statement as to whether the Board has determined or anticipates that the levy of one or more Special Assessment(s) will be required to repair, replace, or restore any major component or to provide adequate reserves therefor; and

v) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Association is obligated to maintain.

In lieu of distributing the complete pro forma operating budget as specified above, the Board may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's expense. If a Member requests a copy of the complete budget, the Association shall provide the material, via First Class Mail within five (5) days. The notice required hereunder shall be presented on the front page of the summary of the budget in at least 10 point bold type.

(b) Year End Report: Within one-hundred twenty (120) days after the close of the fiscal year, a copy of the Association's Year-End Report, consisting of at least the following, shall be distributed to Members:

(1) A balance sheet as of the end of the fiscal year;

(2) An operating (income) statement for the fiscal year;

(3) A statement of changes in financial position for the fiscal year;

(4) A statement advising Members of the place where the names and addresses of the current Members are located; and

(5) Any information required to be reported under Corporations Code Section 8322 requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any Director or officer of the Association and indemnifications and advances to officers or Directors in excess of \$10,000 per year.

(c) A review of the financial statements of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California

State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without audit from the books and records of the Association.

13.8 Annual Statement Regarding Delinquency / Foreclosure Policy

In addition to financial statements, the Board shall annually distribute within sixty days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments, including the recording and foreclosing of liens against Members' Lots.

13.9 Review of Accounts

On no less than a quarterly basis the Board shall:

- (a) Review a current reconciliation of the Association's Operating Account;
- (b) Review a current reconciliation of the Association's Reserve Account;
- (c) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (d) Review the Association's latest account statements prepared by the financial institution(s) with whom the Operating and Reserve Accounts are lodged; and
- (e) Review the Association's income and expense statement for the Operating and Reserve Accounts.

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same documents.

13.10 Reserve Study

At least once every three (3) years the Board shall cause a study of the Reserve Account Requirements of the Association to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. In connection with this reserve study, the Board is required to see that the Association gets a competent inspection of the Private Roads and Common Area of the Development. The Board shall review the reserve study annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Account Requirements as a result of that review.

The study required by this subdivision shall at a minimum include:

- (a)** Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;
- (b)** Identification of the probable remaining useful life of the components identified in subparagraph a. above as of the date of the study;
- (c)** An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in subparagraph a. during and at the end of its useful life; and
- (d)** An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life. The total reserve funds as of the date of the study should be taken into account in determining the required total annual contribution.

As used in this section, Reserve Accounts means monies that the Board has identified for use to defray the future repair or replacement of, additions to, or betterment of those major components which the Association is obligated to maintain, repair or replace.

Reserve Account Requirements means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, restore or maintain those major components which the Association is obligated to maintain, repair or replace.

13.11 Copies of Minutes

At the time of distribution of the pro forma operating budget as provided in 13.7 or at the time of any general mailing to the entire membership, the Board shall advise the Members of their right to have copies of the minutes, draft minutes or summaries of minutes of the Board and how and where those minutes may be obtained.

13.12 Notice of Assessment Increase

The Board shall provide by first class mail to each Owner, at the street address of the Owner's Lot, or at such other address as the Owner may from time to time designate, in writing, notice of any increase in Regular or Special Assessments of the Association, not less than thirty (30) days nor more than sixty (60) days prior to the increased Assessment becoming due.

13.13 Notice of Monetary Penalties

The Board shall adopt and distribute to each Member, by personal delivery or

first-class mail, a schedule of the monetary penalties that may be assessed for violation of the Governing Documents or the Rules of the Association, which shall be in accordance with authorization for Member discipline contained in the Governing Documents. The Board shall distribute changes to the schedule as they are adopted.

13.14 Notice of Alternative Dispute Resolution

The Board shall annually provide to Members of the Association a summary of the provisions of Article 6: of the Declaration specifically referencing California Civil Code Section 1369.510 or comparable superseding statute. The summary shall include the following language:

"Failure by any Member of the Association to comply with the prefiling requirements of Section 1369.510 of the Civil Code may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the Governing Documents."

This summary shall be provided either at the time of distribution of the pro forma budget or by mail or by delivery as part of a newsletter, magazine or other publication of the Association regularly sent to Members at the addresses appearing on the books of the Association.

13.15 Accounting of Reserve Fund Expenditures for Litigation

If the Board makes the decision to use reserve funds or to temporarily transfer money from the Reserve Account to pay for litigation as provided in California Civil Code Section 1365.5(d) or any superseding statute, the Association shall make an accounting of litigation-related expenses on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office, or, if the Association does not maintain an office, at the office of the Association's manager.

13.16 Notice Regarding Transfer or Use of Reserve Funds For Litigation

If the Board makes the decision to use reserve funds or temporarily transfer money from the Reserve Account to pay for litigation, the Association shall, in accordance with California Civil Code Section 1365(d) or any superseding statute, notify the Members in the next available mailing to all Members of that decision and of the availability of an accounting of those expenses.

13.17 Notice of Insurance Coverage

The Board shall give notice of the Association's insurance coverage in accordance with California Civil Code Section 1365(e) or any superseding statute.

ARTICLE 14: AMENDMENTS

A record shall be kept of all amendments or new Bylaws adopted, which record shall show the date of amendment or adoption and, in the case of an amendment, the date of the original Bylaws being amended. If any Bylaws repeal any portion of the original Bylaws, the records shall reflect the date of the meeting at which the repeal was enacted or the date the written consent to repeal was filed. These Bylaws may be amended by the vote of a majority of the voting power of the Association.

ARTICLE 15: MISCELLANEOUS

15.1 Interpretation

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control, and in the case of any conflict between the Declaration or Articles and these Bylaws, the Declaration shall control. In the case of any conflict with the provisions of any California statute, the provisions of said statute shall control.

15.2 Manner and Time of Notice

Notice of any kind required to be given to any Member shall be conclusively deemed to have been given and made when the same has been deposited in the United States mail, in a sealed envelope, postage prepaid, addressed as follows: If to the Association or the Board of Directors, at the current Secretary of the Association's mailing address or to the Post Office Box address of the Association; if to a Director, at the address from time to time given by such Director to the secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any Lot within the Development owned by such Member.

15.3 Severability

Invalidation of any one of these Bylaws by judgment or court order shall not impair or affect in any manner, the validity, enforceability or effect of the rest of these Bylaws and all of the terms hereof are hereby declared severable.

15.4 Construction and Definitions

Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the

reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

CERTIFICATION

The undersigned, Secretary of the Corporation known as SUMMERSET I at BRENTWOOD ASSOCIATION does hereby certify that the foregoing First Amended Bylaws, consisting of 35 pages, including this page, were duly adopted by a vote of the Members of said Association on the ____ day of _____, 2006 and that they now constitute said Bylaws.

Secretary, Summerset I at Brentwood Association