

**RESTATED BYLAWS
OF
RANCHO MURIETA ASSOCIATION**

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ARTICLE I
Recitals and Definitions

Section 1. Name of Corporation. The name of this corporation shall be Rancho Murieta Association and shall be referred to herein as the "Association."

Section 2. Corporation Is Nonprofit. The Association has been formed pursuant to the California Non-Profit Corporation Law as a mutual benefit corporation.

Section 3. Specific Purpose. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Area parcels, and the facilities located thereon, within that certain real estate project located in the County of Sacramento, State of California and commonly referred to as RANCHO MURIETA, to maintain individual Lots to the extent and in the manner more particularly described in the Declaration, enforce the Governing Documents of the Rancho Murieta development and to otherwise enhance and promote the use and enjoyment of Common Areas and Common Facilities by the Owners in common.

Section 4. Definitions.

(a) **County.** The term "County" shall mean the County of Sacramento, State of California.

(b) **Declaration.** The term "Declaration" means all limitations, restrictions, covenants, terms and conditions set forth in the Second Restated Declaration of Covenants, Conditions and Restrictions recorded in the Office of the Recorder of the County of Sacramento on _____, 1995, with respect to the Lots and Common Areas comprising Rancho Murieta at Book __, page __, Official Records of Sacramento County, as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder's Office.

(c) **Good Standing.** The phrase "good standing" means that a Member is current in the payment of all Assessments, fees, charges and fines duly levied against the Member and his or her Lot. To be in good standing a Member must not be subject to any suspension of voting or other membership privileges as a result of any disciplinary proceeding conducted in accordance with article XIII, section 6, of the Declaration.

(d) **Majority of a Quorum.** "Majority of a Quorum" means the vote of a majority of votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in article V, section 5.

(e) **Office of Recorder.** The term "Office of Recorder" shall mean the Office of the Recorder, County of Sacramento, State of California.

(f) **Person.** The term "Person" shall mean and include any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

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

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

ARTICLE II Principal Office

Section 1. Location of Principal Office. The principal office of the Association is currently located at Murieta Parkway, Rancho Murieta, California at such place in the County as the Board may from time to time designate by resolution.

ARTICLE III Membership

Section 1. Members of the Association. Every Owner of a Lot within Rancho Murieta shall be a Voting Member of the Association. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of a Lot.

Section 2. Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under section 1.

Section 3. Multiple Ownership of Lots. If more than one person owns a Lot, all co-Owners shall hold a single membership in the Association. In the case of multiple ownership, unless the secretary of the Association is given written notice to the contrary and is given a copy of the instrument or court order allocating voting rights differently, only one co-Owner shall be entitled to vote the membership. The secretary of the Association shall be notified in writing of the Owner designated by his or her Lot co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur, the secretary shall be entitled to accept the vote of any of the co-Owners; provided, however, that if more than one co-Owner attempts to vote a membership, the secretary may refuse to count any ballot pertaining to said Lot.

Section 4. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until he or she has advised the Association's Administration Office in writing that he or she is now the owner of record of a Lot, and, if requested by the secretary, has furnished evidence of such qualification in the form of a copy of a recorded grant deed (certified by the Office of the Recorder) or a currently effective policy of title insurance applicable to the Lot. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written ballot set forth in these Bylaws.

ARTICLE IV Membership Voting

Section 1. Voting Members. The Association has a single class of voting membership comprised of these persons who own Lots within Rancho Murieta (see article III, section 1, above).

Section 2. Member Voting Rights. On each matter submitted to a vote of the Members each Member shall be entitled to cast one vote for each Lot owned by the Member. When two or more persons own a Lot, the single vote appurtenant to that Lot shall be cast as provided in article III, section 1 of these Bylaws.

Section 3. Eligibility to Vote. Whenever an issue or matter is presented to the Members for approval or to a vote, only those persons who are members in good standing as of the record date established for voting (see article V, section 8) shall be entitled to vote. To be considered in good standing a Member must be current in the payment of all assessments and not be subject to any suspension of membership rights. Suspension of voting rights shall only be authorized to the extent described in article XIII section 6 of the Declaration.

Section 4. Manner of Casting Votes.

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

(b) **Voting by Written Ballot.** In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue other than the election of directors in accordance with section 6 of this article.

(c) **Proxy Voting.** Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in section 5 of this article.

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

Section 5. Director of Elections. In connection with any election or other matter presented to the Members for approval or action, the Association Board will appoint a Director of Elections who shall have the following duties and responsibilities:

(a) The Director of Elections will serve as chair of vote tabulating committee consisting of five members in good standing who shall also be appointed by the Board in consultation with the Director of Elections.

(b) Collect candidate qualifications, resumes and conflict of interest statements and present them to the Nominating Committee.

(c) Resolve any questions pertaining to the election, with all the authority of an inspector of elections under Corporations Code section 7614.

Section 6. Proxies.

(a) **Proxies Generally.** Any Member entitled to vote may do so either in person or by designating another Association Member or the Member's spouse as the designating Member's proxy. To be valid, a proxy must be in writing and include the following: (i) the name of the person designated as the proxy holder; (ii) the term of the proxy, which cannot exceed eleven (11) months from the date of issuance, or the specific meeting for which the proxy is valid; (iii) the date upon which the proxy is issued; and (iv) the Member's signature and lot number or address. All proxy forms must be filed with the Secretary of the Association.

(b) **Effectiveness of Proxies.** Every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth

in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by: (i) delivery to the secretary of a written notice of revocation; (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting; or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive 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 of a Lot as provided in article III, section 1 above.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) Approval of contracts or transactions between the Association and one or more of its directors, or between the Association and a corporation, firm or association in which one or more of its directors has a material financial interest;
- (iv) Amendment of the Articles of Incorporation, these Bylaws or the Declaration;
- (v) Action to change any Association Assessments in a manner requiring membership approval under the Declaration;
- (vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;
- (vii) Merger of the Association or an amendment to an agreement of merger; and
- (viii) Voluntary dissolution of the Association.

(d) Limited Proxies.

(i) Any form of proxy distributed to 10 or more Members 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 the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(ii) In accordance with subparagraph d(i), above, proxies distributed in connection with the election of directors shall set forth the names of all individuals who are candidates for election of the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is

withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(e) 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 a Quorum of the Members.

(f) 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 may be signed by one or more of such persons so long as no more than one proxy is issued with respect to any single membership.

Section 7. Action by Written Ballot Without a Meeting.

(a) Definition of Written Ballot. A "written ballot" is a ballot which is mailed or otherwise distributed to every Member entitled to vote on the matter and which complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) Written Ballots, Generally. Any matter or issue requiring the vote of the Members, other than the election of directors, 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 5 percent 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. If the request for a vote by written ballot is received from the Members, the Association's obligations to initiate the balloting process shall be governed by article V, section 3(b) hereof.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see article V, section 8(a)(iii) hereof) and distribute a written ballot to every Member entitled to vote on the matter. This distribution shall be made consistent with the time requirements specified in subparagraph (d), below.

(c) Content of Written Ballots. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(d) Balloting Time Requirements. Written ballots shall be distributed to all eligible Members at least 30 days prior to the final date the written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting solicitation materials originally sent to Members and then for no more than two successive periods of thirty days each.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall only be valid if: (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in article V, section 5), 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 (ii) 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.

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of article V, section 4, pertaining to issuance of notices of Members' meetings. All solicitations of written ballots shall indicate: (i) the number of responses needed to meet the quorum requirement for valid action; (ii) the time by which the written ballot must be received by the Association in order to be counted; and (iii) the percentage of affirmative votes necessary to approve the measure.

(g) Additional Balloting Procedures. If deemed necessary by the Board, the written ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this section, as may be prescribed by a firm of public accountants of good repute who may also be retained to supervise the secrecy and conduct of the balloting process.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

(i) Prohibition of Revocation. Once exercised, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures set forth herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

ARTICLE V

Membership Meetings

Section 1. Place of Meeting. Any meeting of the Members shall be held at the principal office of the Association or at such other reasonable location within Rancho Murieta and at such time as may be designated by the Board in the notice of the meeting.

Section 2. Annual Meeting. The annual membership meeting shall be called in November of each year. Notice of the date, time and place of the annual meeting shall be given to all persons who are Members as of the record date established for notice and notice of the meeting shall be given in accordance with section 4, below.

Section 3. Special Meetings.

(a) Who Is Entitled To Call. A majority of the Board, the president or 5 percent or more of the Members shall be entitled to call special meetings of the Members to consider any reasonable business of the Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is called by the requisite percentage of the Members, rather than being called by the Board or the president, the following procedures must be followed:

(i) At least five percent of the Members must sign a petition requesting that a meeting be called and specifying the purpose of the meeting.

(ii) The Members' petition must be presented to the president, vice president or secretary of the Association, either personally or by registered mail or by telegraphic or other facsimile transmission.

(iii) The officer receiving the request shall cause notice of the special meeting to be promptly given to the Members entitled to vote, in accordance with the provisions of section 4 of this article V. The notice shall announce that a special meeting has been called and the date, time and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request.

(iv) If the notice is not given by the Association within the 20 days after receipt of a proper request from at least five percent of the Members, the persons requesting the meeting may give the notice and all out of pocket costs associated with the preparation and mailing of the notice shall be borne by the Association.

Nothing contained in this subparagraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the president.

Section 4. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with section 8 of this article.

(b) Time Requirements for Notice. The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this section, not less than 10 nor more than 90 days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than 20 days (nor more than 90 days) before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice of any membership meeting shall specify the place, date, and hour of the meeting and: (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted; or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members. If it is anticipated that less than one-third of the Members are likely to attend the meeting in person or by proxy, additional notice requirements apply. See section 5 of this article.

(d) Specification of Certain Significant Actions. If 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):

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to article VII, section 6(d) of these Bylaws;
- (iii) Amending the Articles of Incorporation of the Association, these Bylaws or the Declaration in any manner requiring approval of the Members;
- (iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm or association in which one or more of its directors has a material financial interest (see also article IX, section 3, below);
- (v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Association.

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

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

Section 5. Quorum Requirements.

(a) **Quorum Requirements Generally.** The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members:

(i) Except as provided in subparagraph (ii), below, the minimum required quorum for valid action by the Members at any membership meeting or vote conducted by written ballot shall be forty percent (40%) of the voting power of the Members. At membership meetings, Members represented by proxy shall be included in calculating the percentage of Members present for quorum purposes.

(ii) In the case of any vote on assessment increases requiring membership approval (see article IV of the Declaration), the quorum requirement for valid action on the proposal shall be the percentage specified in section 1366 of the Civil Code or comparable superseding statute. That quorum percentage is currently a majority of the Members.

Section 6. Adjourned Meeting.

(a) **Adjournment Generally.** Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than 45 days) by the vote of the majority of Members represented at the meeting in person or by proxy. Unless there is an absence of a quorum (in which case no other business may be transacted at that meeting except as provided in section 5(b) above), any action may be taken at the reconvened meeting that could have been transacted at the original meeting.

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

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

(a) **Validating Actions Taken at Improperly Noticed Meetings.** If decisions are made at a meeting of Members constituting a quorum but for which proper notice was not given to all Members for whatever reason, the decisions 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:

- (i) a written waiver of notice,
- (ii) a consent to holding the meeting, or
- (iii) an approval of the minutes.

(b) **Content of Waiver or Consent.** The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action is taken or proposed to be taken on matters specified in section 4(b) of this article V, in which case, the waiver of notice or consent shall state the general nature of the matter. All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(c) **Effect of Attendance at Meeting.** Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects 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 section 4(b) of this article V, if that objection is expressly made at the meeting.

Section 8. Record Dates for Member Notice, Voting and Giving Consents.

(a) 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 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 Non-Profit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this section shall:

(i) In the case of determining those Members entitled to notice of a meeting, not be more than 90 nor less than 10 days before the date of the meeting;

(ii) In the case of determining those Members entitled to vote at a meeting, not be more than 60 days before the date of the meeting;

(iii) In the case of determining Members entitled to cast written ballots, not be more than 60 days before the day on which the first written ballot is mailed or solicited; and

(iv) In the case of determining Members entitled to exercise any rights in respect to other lawful action, not be more than 60 days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date.

(i) Record Date for Notice of Meetings. Unless fixed by the Board, 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.

(ii) Record Date for Voting. Unless fixed by the Board, 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.

(iii) Record Date for Action by Written Ballot Without Meeting. Unless fixed by the Board, the record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

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

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

ARTICLE VI Membership Rights

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

Section 1. Use and Enjoyment of Common Areas. Each Member and the members of his or her family shall be entitled to the use and enjoyment of all Common Areas, roads and recreational facilities

within Rancho Murieta except as stated in Article II, section 2(b) of the Declaration and shall be subject to regulations regarding their use to avoid an overburdening of such facilities. Without limiting the foregoing, it is expressly noted that the Declaration authorizes the Board to adopt a schedule of fees and/or an amenity access pass system to regulate the use of common facilities. (see CC&Rs, article VIII, section 4.)

Section 2. Use of Common Areas, Etc. by Family Members. Each Member shall have the right to designate members of his or her family who reside within the Member's Residence with the Member who may use and enjoy the Common Areas, roads and Common Facilities within the Properties.

Section 3. Tenants. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Lot. Such assignment shall only be effective so long as the tenant resides on Owner-lessor's Lot and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the Owner shall remain responsible for compliance by Owner's tenant with all provisions of these Bylaws and the Governing Documents pertaining to tenants and the use and enjoyment of Association property.

Assignment of an Owner's right to use the Common Facilities to a tenant shall be effective upon execution of a valid lease or rental agreement a copy of which will be provided to the Association. During the period of any lease or rental of a Lot, the Owner shall not be entitled to use the Common Areas or Common Facilities (other than roads) except to the extent reasonably necessary to perform the usual responsibilities of a landlord or to ensure or gain compliance by the tenant with the requirements of these Bylaws and the other Governing Documents.

Section 4. Invitees and Guests. The invitees and guests of a Member who are under the Member's supervision and control shall have the right to the use and enjoyment of the Common Areas, Common Facilities and roads within the Properties, subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in these Bylaws and the Declaration.

Section 5. Association Rules and Regulations. The right of any person to use and enjoy the Common Services, Common Areas and Common Facilities shall at all times be subject to the rules, limitations and restrictions set forth herein and in the other Governing Documents of the Association. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Area, Common Facilities or Common services for the failure of a Member to pay any assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to any Governing Document; provided, however, that any such suspension or fine may only be imposed after such person has been afforded the notice and hearing rights more particularly described in the Declaration.

ARTICLE VII Board of Directors

Section 1. General Association Powers. Subject to the provisions of the California Non-Profit Corporation Law and any limitations in the Articles and these Bylaws relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in article X, section 1, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the

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

Section 2. Number and Qualification of Directors. The Board of Directors shall consist of seven (7) persons who shall be Owners of Lots and residents of Rancho Murieta whose memberships are in good standing. All candidates for election to the Board of Directors must send a statement of any possible conflict of interest to the Board along with their resume in accordance with section 4, below. It is recommended that candidates for election to the Board of Directors first serve on an Association committee prior to their candidacy.

Section 3. Term of Office. Directors of the Association serve for three (3) year terms and are elected on a staggered basis so that three directors are elected in one year and two directors in each of the following two years. In 1994 and 1995 two vacancies will be filled and in 1996 three vacancies will be filled. The same rotation of seats shall occur in subsequent years. No director shall serve more than two consecutive terms, nor more than six years total unless appointed by the Board to fill a vacancy. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 4. Nomination of Directors. At least 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 or more Members of the Association who may or may not be Board members. The nominating committee shall make its report to the full Board at least 60 days before the date of the election, and the secretary shall forward to each Member, with the notice of meeting required by article V, section 4, a list of candidates nominated. 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. The selections made by the nominating committee shall not be subject to rescission or modification by the board, it being the intent of the Nominating Committee process to separate the Board's governance of the Association from the political process of nominating and electing persons to serve on the Board.

In addition to those persons selected as candidates by the nominating committee, if there is a meeting to elect directors, any member present at the meeting, in person or by proxy, may place additional names in nomination. Any Member who is nominated from the floor shall present their qualifications, resume and conflict of interest statements to the Director of Elections. The nominated candidate will make a statement expressing his or her positions on issues to clarify the candidate's position.

Section 5. Election of Directors. At each annual meeting of the Members, the Members shall elect persons to those positions on the Board of Directors held by directors whose terms are then expiring. The persons thus elected shall be selected from among those persons nominated pursuant to section 3 above. If for any reason an annual meeting is not held or the directors are not elected at any annual meeting, the directors may be elected at any special meeting held for that purpose. Candidates receiving the highest number of votes shall be elected as directors and shall take office on the first day of the month next following their election. Each director, including a director elected to fill a vacancy or elected at a special Members' meeting, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 6. Vacancies on Board of Directors.

(a) **Vacancies Generally.** A vacancy or vacancies in the Board of directors shall be deemed to exist in the occurrence of any of the following:

- (i) the death, resignation or removal of a director pursuant to subparagraphs (c) and (d) hereof;
- (ii) an increase of the authorized number of directors; or
- (iii) the failure of the Members to elect the number of directors required to fill the vacancies on the Board at the time the election is held.

(b) **Resignation of Directors.** Except as provided in this subparagraph, any director may resign, which resignation shall be effective on giving written notice to the president, the secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is intended to be effective at a future time, the Board of Directors may immediately elect a successor who will take office when the resignation becomes effective.

(c) **Authority of Board to Remove Directors.** The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she:

- (i) has been declared of unsound mind by a final order of court;
- (ii) has been convicted of a felony; or
- (iii) fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law;
- (iv) is found to have failed to disclose a conflict of interest in accordance with article IX, section 3, below; or
- (v) is no longer a resident of Rancho Murieta.

(d) **Authority of Members to Remove Directors.** Except as otherwise provided in subparagraph (c) and (e) 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:

(i) 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 5 percent of the Voting Power of the Association. This petition must set forth the reason(s) the petitioners are seeking the director's or directors' removal; the signature and Lot number(s) of each petitioner in his or her own handwriting; the name(s) of the sponsor(s) or initiator(s) of the petition; and fulfill all other requirements required by law.

(ii) Within 20 days after receipt of such petition, the Board shall call a special meeting of the Members to vote upon the requested recall. Such meeting shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting within 20 days following receipt of a valid petition, the Members initiating the

petition may call such meeting on their own initiative without Board approval and all out-of-pocket costs incurred by such Members in the copying and mailing of the meeting notice shall be borne by the Association upon presentation of a proper invoice.

(iii) The director or directors who is/are the subjects of the recall petition shall have the right to rebut the allegations contained in the petition orally, in writing or both and the Board, in its discretion may call a special membership meeting in advance of the meeting where the recall vote is to occur in order to permit the challenged directors and the proponents of the petition to present their positions. If a challenged director presents his or her rebuttal in writing, such rebuttal shall be mailed by the Association or otherwise provided to all Members, together with the notice of the membership meeting where the vote is to be conducted.

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

(v) If the petition for recall also presents a name or slate of names of replacement candidates, but not otherwise, the meeting that is called for purposes of voting upon the recall shall also call for the election of successor directors and the notice of the meeting shall set forth the names of all candidates who are in good standing. Nominations shall also be taken from the floor. If a petition fails to list candidates for election to the vacancies and the recall vote is successful, the meeting shall be adjourned for a period of thirty (30) days to permit candidates to submit their names and a statement of qualifications and to afford an opportunity for those candidates to communicate their positions and qualifications to the Members. When the meeting is reconvened, nominations may also be made from the floor. If the election to fill vacancies must be conducted at an adjourned meeting and more than one director has been successfully recalled, the only actions which the incumbent directors can take prior to the election are: (A) any actions required by law of the Board of Directors; (B) other routine matters requiring Board action, and (C) actions pertaining to the conduct of the election.

(e) Removal by Court Action. The County Superior Court may, in response to a suit filed by any director or the lesser of 20 members or 5 percent of the Members, remove any director determined to be guilty of Fraudulent or dishonest acts or gross abuse of authority or discretion with reference "to the Association. The Association shall be made a party to any such action.

(f) Filling of Vacancies. Vacancies on the Board of Directors shall be filled within thirty (30) days by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director, unless the vacancy is created through removal of a director by action of the Members in which case the vacancy shall be filled by a vote of the Members. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors within thirty (30) days and all out-of-pocket costs incurred in connection with the preparation and mailing of a notice of the membership meeting shall be borne by the Association. If the Board fails to fill a vacancy act within 45 days following the death, resignation or removal of a director, the Board shall immediately issue notice of a special meeting of the Members to fill unless the annual membership meeting is scheduled to occur within thirty (30) days of the minimum time required to notice the special meeting. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors within thirty (30) days and all out of pocket costs associated with the preparation and mailing of the notice shall be borne by the Association. If the Board fails to fill a vacancy within 30 days following the death, etc.

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

ARTICLE VIII
Board Meetings

Section 1. Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within the Rancho Murieta development that has been designated from time to time by the Association unless otherwise designated by resolution of the Board and stated in the notice of meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the above provisions of this section 1, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board Members, before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Section 2. Annual Meeting of Directors. Within the later of thirty (30) days following validation of the election (in the case of a contested election) or the annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required unless the meeting must be scheduled following resolution of the issues raised in a contested election.

Section 3. Other Regular Meetings. Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board Members. Ordinarily, regular meetings shall be conducted at least monthly; provided, however, that regular meetings can be held as infrequently as every three months if the Board's business does not justify more frequent meetings. Notice of the time and place of regular meetings shall be posted in a prominent place within the Common Area, and shall be communicated to the Board members not less than 72 hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in section 7 of this article VIII.

Section 4. Special Meetings of the Board.

(a) **Who May Call a Special Meeting of the Board.** Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two directors.

(b) **Notice of Special Meetings.**

(i) **Manner of Giving.** Notice of the time and place of special meetings of the Board shall be posted in the manner prescribed for regular meetings and given to each director by one of the following methods:

- (A) by personal delivery of written notice;
- (B) by first-class mail, postage prepaid;
- (C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; or
- (D) by telegram, charges prepaid.

All such notices shall be given or sent to each director's address or telephone number as shown on the records of the Association. Notice of a meeting need not be given to any director who signs a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at commencement of the meeting, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the Association records or made a part of the minutes.

(ii) Time Requirements. Notices sent by first-class mail shall be deposited into a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.

(iii) Notice Contents. The notice shall state the time, place, and purpose of the meeting.

Section 5. Attendance by Members.

(a) Meetings Generally Open to Members. With the exception of executive sessions of the Board (see subparagraph (b), below) all meetings of the Board shall be open to members of the Association; provided, however, that non director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting.

(b) Executive Sessions. The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss:

- (i) litigation in which the Association is or may become a party;
- (ii) personnel matters;
- (iii) contract negotiations; or
- (iv) member disciplinary proceedings when the accused Member requests that the hearing be conducted in executive session.

Prior to adjourning into an executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting and matters discussed in executive session shall be generally noted in the minutes, taking into consideration the need to maintain confidentiality. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above. However, at the next scheduled general meeting of the Board an announcement shall be made of the general subject matter of any matter acted upon at an executive session that is held apart from an open Board meeting.

Section 6. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 8 of this article VIII. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, especially those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of directors. A meeting

at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 7. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting before or at the inception of the meeting about the lack of notice.

Section 8. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place or may adjourn for purposes of reconvening in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature; provided, however, that an adjournment to executive session can only be effected by approval of a majority of a quorum of the Board. The nature of any matter to be considered in executive session must first be announced in open session. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time that the adjourned meeting is reconvened to the directors who are not present at the time of the adjournment. Except as hereinabove provided, notice of adjournment need not be given.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors. Any written consent or consents shall be filed with the minutes of the proceedings of the Board and an explanation of the action taken shall be posted in a prominent place or places within the Common Area within three days after the written consents of all directors have been obtained.

Section 10. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable.

ARTICLE IX Duties and Powers of the Board

Section 1. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in article VII, section 1, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Articles of Incorporation, these Bylaws, the Declaration, and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the General Manager of the Association, if any, and other Association employees, fix their compensation, and prescribe such powers and duties for such persons as are consistent with law, the Articles of Incorporation and these Bylaws.

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

(d) Adopt and establish rules and regulations subject to the provisions of the Declaration, governing the use of the Common Areas, the Common Facilities and roads within the Properties, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Facilities; provided notice and a hearing are provided as more particularly set forth in article XIII, section 6 of the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) Enforce all applicable provisions of the Declaration, these Bylaws and all other regulations relating to the control, management, and use of the Lots within the Properties and the Common Areas, Common Facilities and the roads within the Properties.

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

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

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

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

(j) Delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board, subject to the limitations expressed in section 1 of article X hereof.

(k) Levy and collect assessments from the Members of the Association in accordance with the Declaration, and establish and collect reasonable use charges for any or all of the Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

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

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in article XII, section 5 hereof. In discharging its responsibilities hereunder to prepare an annual budget the Board shall be guided by the budgetary and financial recommendations received from the Budget and Finance Committee established in accordance with article X hereof.

(n) Appoint a nominating committee for the nomination of candidates for election to the Board, and prescribe rules under which the nominating committee is to act, all as more particularly described in section 4 of article VII hereof.

(o) Appoint standing committees in accordance with article X, below.

(p) Appoint any other committees as the Board deems necessary from time to time in connection with the affairs of the Association in accordance with article X hereof and grant to committee chairperson the authority to fill vacancies on his/her committee with approval of the Board.

(q) Fill vacancies on the Board of Directors except for a vacancy created by the removal of a director by action of the Members.

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

(s) Bring and defend actions by or against more than one Member or the Association to protect the interests of the Members or the Association, as such, so long as the action is pertinent to the operations of the Association and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and due process requirements set forth in article XII, section 6 of the Declaration.

(t) Enter Lots as necessary, subject to the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas or the Owners in common.

Section 2. Limitations on Powers.

(a) Actions Requiring Member Approval. Without the vote or written assent of a majority of the voting power of the Members other than the Declarant, the Board of Directors shall not take any of the following actions:

(i) Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one year. This restriction shall not apply to:

(A) FHA or VA approved management contracts;

(B) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate;

(C) prepaid casualty or liability insurance policies not to exceed three years duration; provided the policies provide for short rate cancellation by the insured; or

(ii) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year.

(iii) Buy, sell or trade during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that fiscal year.

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

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

(vi) Expend Association funds to support a nominee for director.

(b) Actions Requiring Bids, Appraisals or Cost Comparisons. Any time Association funds are to be expended on any construction or improvement project with a projected cost in excess of \$10,000, the Board must obtain firm bids (which shall include a performance bond premium) from three or more reputable contractors. The Board shall ascertain that the bids are comparable with respect to materials, workmanship and scheduled times of performance and completion. In the case of any property purchase (real or personal) involving an expenditure of \$10,000 or more, at least two appraisals (real property) or comparable price quotations (personal property) must be obtained. With respect to any project or acquisition subject to this subparagraph (b), the Board shall not be required to accept the lowest bid or least expensive item, but shall exercise prudence in its evaluation of the competing proposals or products.

Section 3. Regulation of Conflict of Interest Transactions.

(a) Regulation of Interested Director Transactions. In addition to the foregoing limitations on the powers of the Board, generally, the following provisions shall apply to any "interested director transaction." For purposes of this section, an interested director transaction means any transaction involving the Association in which a director has a material financial interest.

(i) No Board member shall participate in any discussion or board action concerning, or in any way attempt to use his or her Board position to influence, a Board decision in which the Director knows or has reason to know that he or she has a material financial interest, as defined in subparagraph (b)(ii) below;

(ii) On or before July 1 of each year, each director shall be obligated to disclose to the Board of Directors, as a whole, any financial interest of the disclosing director in any interested director transaction. In completing the annual disclosure form, directors shall endeavor in good faith to disclose not only pending transactions involving the Association in which he or she has a material financial interest, but also investments, businesses or relationships which may reasonably lead to or become an interested director transaction during the director's term of office.

(iii) The Association shall not knowingly engage in an interested director transaction unless the required disclosures have been made by the interested director(s) and, prior to engaging in or

(iv) Prior to authorizing or approving any interested director transaction, the Board must have considered, and in good faith determined after reasonable investigation, that (A) the transaction is fair and reasonable as to the Association and is for the benefit of the Association and its Members as a whole, and (B) that the Association could not have obtained a more advantageous arrangement, with reasonable effort under the circumstances, from other parties.

(b) Definitions. For purposes of this section 3, the following definitions shall apply:

(i) Interested Director Transaction. Interested Director Transaction shall be defined as set forth in subparagraph (a) above;

(ii) Material Financial Interest. A Board member shall be deemed to have a material financial interest in a decision, within the meaning of subparagraph (a), above, if it is reasonably

foreseeable that the decision will have a material financial effect, distinguishable from its effect on the Members generally, on:

(A) Any business entity in which the Board member has a direct or indirect investment worth more than \$1,000;

(B) Any interest in real property in which the Board member has a direct or indirect interest worth more than \$1,000;

(c) Any source of income aggregating \$250 or more in value provided to, received by, or promised to the Board member within 12 months prior to the time when the decision is made; or

(D) Any business entity in which the Board member is a director, officer, partner, trustee, employee, or holds any management position.

(iii) Distinguishable From the Members Generally. A material financial effect of a Board decision on a director's financial interests is distinguishable from its effect on the Members generally unless the decision will affect the director's financial interest in substantially the same manner as it will affect all Members or a significant segment of the Association's membership. An industry, trade or profession in which the director is a participant does not constitute a significant segment of the Membership.

(iv) Materiality. Financial effects are material if they might interfere with a Board member's performance of his or her duties in an impartial manner and free from bias.

(v) Indirect Investment or Interest. An indirect investment or interest of a director means any investment or interest owned by the spouse or dependent child of the director, by an agent on behalf of the director or by a business entity or trust in which the director, the director's agents, spouse and/or dependent children own directly, indirectly or beneficially, a 10 percent or greater interest.

(c) Conflict of Interest Rules. The Board is empowered to adopt reasonable rules, procedures and forms to facilitate the disclosure of interested director transactions, further refine the application of this Section 3 to specific transactions and to rule upon the presence or absence of Interested Director Transactions if such a determination is requested by a director in advance of the director's participation in what is, or may constitute, an interested director transaction. Directors are encouraged to disclose any transaction which might reasonably be interpreted as constituting an Interested Director Transaction so as to avoid any appearance of impropriety and to request that the Board seek clarification or a determination from the Association's counsel if necessary.

ARTICLE X Committees

Section 1. Standing Committees. The Association shall maintain the standing committees listed in this section 1 to assist the Board in the proper discharge of its duties. Those committees shall serve in an advisory capacity to the Board and shall have only such duties and responsibilities as are provided in these Bylaws, the Declaration or in each committee's charter as duly adopted by the Board. The standing committees of this Association are as follows:

- (a) The Architectural Control Committee (see Declaration, article VII);
- (b) The Nominating Committee (see article VII, section of these Bylaws);
- (c) The Budget and Finance Committee (see article XII, section 7 of these Bylaws);
- (d) The Personnel Committee (see Rancho Murieta Association Employees' Handbook); and
- (e) The Grievance Committee (see article XII, section 7 of the Declaration).

Section 2. Committees of the Board. The Board, by resolution adopted by a majority of the Directors then in office may create one or more additional committees, each consisting of two (2) or more Members in good standing who may also be directors to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the authorized number of Directors. The Board may appoint one or more Directors as alternate members of any committee, who may replace any absent member at any meeting. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility as specifically conferred in the Board resolution and it's charter, except that committees, regardless of Board resolution may not:

- (a) Take any final action on any matter which, under the Non-Profit Corporation Law of California, also requires approval of the Members.
- (b) Fill vacancies on the Board of Directors or on any committee which has been delegated any authority of the Board.
- (c) Amend or repeal Bylaws or adopt new Bylaws.
- (d) Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.
- (e) Appoint any other committees of the Board of Directors or the members of those committees.
- (g) Approve any transaction
 - (i) to which the Association is a party and one or more directors have a material financial interest; or
 - (ii) between the Association and one or more of its directors; or
 - (iii) between the Association or any person in which one or more of its directors have a material financial interest.
- (h) Obligate the Association in any way or in any sum in excess of the specific budgeted amount established by the Board for the Committee's use for operational expenses for the current fiscal year.

Section 3. Common Interest Committees. The Board of Directors may appoint Members to serve on committees comprised of representatives from other entities or governmental bodies having some

interest or regulatory jurisdiction within Rancho Murieta so long as the Board determines that it is to the advantage and in the best interests of the membership to have representation on such Common Interest Committees. For example, the Association is party to several Park Development Agreements to which various real estate development companies and the Rancho Murieta Community Services District are also parties. Those agreements provide for a Parks Committee upon which agents of the Association serve. The persons designated to serve on any Common Interest Committee shall have no authority to bind the Association unless and until such authority has been specifically approved and delegated by resolution of the Board.

Section 4. Creating Committees. When the Board determines that a committee needs to be created, it will:

- (a) Approve a basic committee charter that will state the proposed function, estimated duration and estimated staff requirements of the purposed committee.
- (b) Nominate and approve the committee chairperson.
- (c) Determine the term and number of committee members and appoint persons to fill those committee positions.
- (d) Direct the committee chairperson to establish the formal committee charter as the committee's first order of business. The charter will be in a standard format that will be determined by the Board and the content of all charters shall be approved by the Board.
- (e) Ensure that at least one member of the committee is briefed on the office procedures established by the General Manager that relate to the committee's area of interest.

Section 5. Meetings and Actions of Committees.

- (a) The provisions of article VIII, section 1 (relating to meetings of the Board) will govern actions of committees created by these Bylaws unless the Board resolution establishing the committee dispenses with or amends provisions of said article relating to the content or timing of notice, quorum requirements or the maintenance of minutes. Furthermore, meetings of committees are not required by law or by these minutes to be open to the general membership although the committee chair may direct that meetings be open to the members and the board may impose that requirement in the resolution forming the committee.
- (b) The Board may call special meetings of committees. They will also give notice of special meetings of committees to any alternate members, who will have the right to attend all meetings of the committee.
- (c) Reports of each committee meeting will be kept and filed in the Association records.
- (d) The Board of Directors may adopt rules, consistent with these Bylaws, for the governing of any committee. Any such rules will be appended to the Committee charter adopted pursuant to sections 4(a) and (d), above.

ARTICLE XI Officers

Section 1. Officers. The officers of the Association shall be a president, a vice president, a secretary and a chief financial officer. The Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of section 3 following. One person may hold two or more offices, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 2. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of sections 3 and 6 following, shall be chosen annually by majority vote of the Board at its first regular meeting each year, and each shall hold his or her office until he shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified. The annual term of officers shall be contemporaneous with the terms of directors under article VII, section 3 hereof.

Section 3. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 4. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting, or by any officer upon whom such power of removal may be conferred by the Board; provided, however, that no such officer shall remove an officer chosen by the Board.

Section 5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 7. President. The president shall be elected by the Board from among the directors. He shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 8. Vice President. The vice president shall be elected by the Board from among the directors. In the absence or disability of the president, the vice president shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. He shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 9. Secretary. The secretary shall have the following responsibilities in addition to other duties assigned by the Board:

(a) keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof;

(b) keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses;

(c) give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given;

(d) keep the seal of the Association in safe custody;

(e) keep, or cause to be kept, a catalogue of all resolutions duly adopted by the Association, such resolutions to be numbered sequentially by year (i.e., 95-1, 95-2, etc.) and indexed by topic for ease of reference. The obligation to maintain a catalogue of Resolutions shall be prospective from the effective date of these Bylaws, although reasonable efforts shall be made to catalogue all significant resolutions adopted within the five years preceding the effective date.

Section 10. Chief Financial Officer. The chief financial officer, who shall be known as the treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any director or Member. The treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII

Assessments and Finances

Section 1. Description of Assessments to Which Owners Are Subject. Owners of Lots within the Properties are subject to Annual and Special Assessments as more particularly described in article IV of the Declaration.

Section 2. Checks. All checks or demands for money and notes of the Association shall be signed by the president and treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. The signatures of two officers, one of whom must

be the president or the treasurer, shall be required of the withdrawal of funds from Association reserve accounts.

Section 3. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Properties.

Section 4. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as more particularly set forth in article IV of the Declaration.

Section 5. Budget and Financial Information. the following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

(a) **Budget.** A pro forma operating budget meeting the requirements of this subparagraph (a) shall be distributed to members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year. The budget shall include at least the following information:

(i) The Association's estimated revenue and expenses on an accrual basis;

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to section 6, below, and 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 of the Properties which the Association is obligated to repair, replace, restore or maintain (collectively "Association Capital Projects");

(B) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association Capital Projects and the current amount of accumulated cash reserves annually set aside for Association Capital Projects.

(C) The percentage that the amount of accumulated cash reserves is of the estimated amount of necessary cash reserves calculated under subparagraph (B), above.

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

(iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to delay the future costs of repair, replacement or additions to major components of the Properties which the Association is obligated to maintain.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors 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 principal office and that copies will be furnished, upon request, to any member at the Association's expense. This

notice shall be presented on the front page of the budget summary in at least 10-point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail, within five days.

(b) Year-End Report. Within 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:

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of changes in financial position for the fiscal year.
- (iv) A statement advising Members of the place where the names and addresses of the current members are located; and
- (v) Any information required to be reported under section 8322 of the Corporations Code requiring the disclosure of certain transactions in excess \$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. The annual report shall be prepared in accordance with generally accepted accounting principles by a licensee of the 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 an audit from the books and records of the Association.

(c) Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements, the Board of Directors shall annually distribute, within 60 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.

- (d) Review of Accounts. On no less than a quarterly basis, the Board of Directors shall:
- (i) Review a current reconciliation of the Association's reserve accounts;
 - (ii) Review a current reconciliation of the Association's reserve accounts;
 - (iii) Review the current year's annual reserve revenues and expenses compared to the current years budget;
 - (iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and
 - (v) Review the Association's income and expense statement for the operating and reserve accounts.

Section 6. Required Reserve Studies. At least once every three years, the Board shall cause a study of the reserve account requirements of the Properties 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. The Board shall also

review any reserve study required hereunder on an annual basis 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 hereunder shall include the minimum requirements specified in Civil Code section 1365.5 or comparable successor statute.

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 document.

Section 7. Appointment of a Budget and Finance Committee. To assist the Board in its duty to comply with the provisions of this article XII and the budget, financial and reserve provisions of the Davis-Stirling Common Interest Development Act, the Board shall appoint a Budget and Finance Committee comprised of not less than three Members or more than five members. The Treasurer shall serve as chair of the committee. The committee shall participate in the preparation of the annual budget, supervise the preparation of capital replacement reserve studies, serve as the initial Board contact for the General Manager and other staff personnel involved in financial matters; and perform such other tasks and responsibilities of a fiscal nature as may be delegated to the committee by Board resolution from time to time.

ARTICLE XIII Miscellaneous

Section 1. Inspection of Books and Records.

(a) **Member Inspection Rights.** All accounting Books and records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection by any Member or his or her duly appointed representative at the offices of the Association for any purpose reasonably related to the Member's interest as such. Member's rights of inspection hereunder shall be exercisable on 10 days prior written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. Inspection rights with respect to the membership list shall be subject to the Association's right to offer a reasonable alternative to inspection within 10 days after receiving the Member's written demand (as more particularly set forth in section 8330 and following of the California Corporations Code).

(b) **Director Inspection Rights.** Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

(c) **Adoption Of Reasonable Inspection Rules.** The Board of Directors may establish reasonable rules with respect to:

- (1) notice of inspection;
- (2) hours and days of the week when inspection may be made;
- (3) payment of the cost of reproducing copies of documents requested by the Member.

(d) **Board Meeting Minutes.** The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an executive session, shall be available to the Members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs in making that distribution. Members shall be notified in writing at the time that the pro forma budget required by article XII, section 5, above, is distributed or at the time of any general mailing to the entire membership of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

Section 2. General Manager. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the general manager shall at all times remain subject to the general control of the Board.

Section 3. Corporate Seal. The Association shall have a seal in circular form having within its circumference the words "Rancho Murieta Association, Incorporated September 14, 1973, State of California."

Section 4. Amendment of Bylaws.

(a) **Amendment of Bylaws by Board of Directors.** The Board of Directors may, by a vote of a two-thirds majority of all directors, adopt amendments to these Bylaws when an amendment is needed to conform particular provisions of the Bylaws to changes in applicable California State law statutory requirements which the amended provision(s) is/are intended to reflect. Prior to entertaining a motion to approve any such amendment, the Board shall receive a written opinion from the Association's legal counsel that a change in California statutory law necessitates a revision or revisions to these Bylaws in order to make the affected Bylaw provision(s) accurately state a legal requirement that the Association is bound by law to observe.

(b) **Amendment of Bylaws by Action of the Members.** Except as provided in subparagraph (a), above, these Bylaws may be amended or repealed, and new Bylaws adopted by the affirmative vote by written ballot of a majority of the Voting Power of the Association; provided that if any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended or repealed except by such greater vote, unless otherwise specifically provided herein. Any amendment to these Bylaws shall become effective immediately upon approval by the Members. The secretary of the Association shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Association's corporate records.

(c) **Notice to Members.** The Members shall be advised promptly of any amendments to the Bylaws which have been duly approved by action of the Board or by approval of the Members in accordance with subparagraphs (a) or (b), above. If the Members have not previously been given a copy of the complete text of the amendment in connection with the vote thereon, the notice of the amendment shall include the complete text of any amended provisions.

Section 5. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein shall be delivered either personally or by first class mail in accordance with the notice requirements of article V, section 4 hereof.

Section 6. 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 Non-Profit 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.

Section 7. Indemnification.

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

(b) **Approval of Indemnity by Association.** Upon written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with section 723 7(e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under section 7327(e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, indemnification is authorized by a majority of a Quorum of the Members.

(c) **Advancement of Expenses.** To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director or officer seeking indemnification under paragraphs (a) and (b) of this section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

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

Section 8. Conduct of Association Meetings. All meetings of the Board of Directors and Committees created by the Board of Directors will be conducted according to accepted Parliamentary Procedure. "Robert's Rules of Order" will be used as guidelines only. Failure strictly to follow them may not be a reason to nullify or otherwise void a vote that was cast in good faith by the voting parties for the good of the Association. A special meeting may be called according to article V, section 3 of these Bylaws if a question arises of the vote taken being in good faith.

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, secretary of the corporation known as Rancho Murieta Association does hereby certify that the above and foregoing Restated Bylaws consisting of 31 pages, were duly adopted by written ballot of the Members of said Association on the 18th day of June, 1996, and that they now constitute said Bylaws.

RANCHO MURIETA ASSOCIATION, a California
nonprofit mutual benefit corporation

By Craig D. Peach
Craig Peach, Secretary

FIRST AMENDMENT
OF SECOND RESTATED BYLAWS
OF RANCHO MURIETA ASSOCIATION

Article VII, Section 1 of the Second Restated Bylaws of RANCHO MURIETA ASSOCIATION is hereby amended as follows:

Article VII – Board of Directors

Section 1. General Association Powers. Subject to the provisions of the California Non-Profit Corporation Law and any limitations in the Articles and these Bylaws related to action required to be approved by the Members, the business affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in Article X, Section 1, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised un the ultimate direction of the Board.

Effective January 1, 2009, the Association may provide television service to its members solely on an optional, voluntary basis. All costs of providing television service, including maintenance and equipment, must be borne solely by user fees paid by voluntary subscribers, and may not be subsidized with regular assessment revenue unless approved by the members by the affirmative vote by written ballot of a majority of the Voting Power of the Association.

CERTIFICATE OF SECRETARY OF AMENDMENT OF BYLAWS
OF RANCHO MURIETA ASSOCIATION

I, the undersigned, hereby certify that: I am the Secretary of the RANCHO MURIETA ASSOCIATION.

On December 18, 2009, the foregoing FIRST AMENDMENT OF RESTATED BYLAWS OF RANCHO MURIETA ASSOCIATION was duly approved by the affirmative vote of at least a majority of the total voting power of Rancho Murieta Association as required by Article VII, section 4(b) of the Restated Bylaws dated June 18, 1996.

Executed this 17th day of May, 2010

Vicky S. Lentz
Secretary