

FIRST RESTATED BYLAWS OF FIELDSTONE OWNERS ASSOCIATION

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1 NAME AND LOCATION

- 1.1 Name and location. The name of the corporation is Fieldstone Owners Association (the "Association"). The principal office of the Association shall be located in Calaveras County, California or at such other place reasonably convenient to the Development as the Board of Directors may from time to time establish.

2 DEFINITIONS

- 2.1 The following terms shall have the following definitions when used in these Bylaws.

2.1.1 "Association" means Fieldstone Owners Association and, where warranted by the context, the Board of Directors of Fieldstone Owners Association.

2.1.2 "Board Committee" means a committee whose members are all Directors.

2.1.3 "Committee" means either a Board Committee or a Working Committee, or both.

2.1.4 "Declaration" means the Declaration of Covenants, Conditions and Restrictions for Fieldstone, as recorded in the Official Records of Calaveras County, California; as such Declaration may from time to time be amended.

2.1.5 "Development" shall have the same meaning as provided for in the Declaration.

2.1.6 "Director" means a member of the Board of Directors.

2.1.7 "Emergency Expenditure" means any expenditure of Association funds that is not pre-approved by the Board and is made pursuant to the rules for such expenditures as may be adopted by the Board.

2.1.8 "Executive Session" means a meeting of the Board that is held for one of the purposes provided for in the Governing Documents and that is not open to Members.

2.1.9 "Law" means any applicable Federal, State or local statute, regulation, ordinance, rule or similar governmental provision. Any reference in these Bylaws to a particular law also refers to any comparable successor Law.

2.1.10 "Member" means a person that belongs to the Association in accordance with the Governing Documents.

2.1.11 "Operating Account" means the account used by the Association to accept deposits of Member assessments or other income and for the expenditure of funds except funds drawn from any Reserve Fund. The term encompasses any subsidiary accounts maintained for any purpose, such as escrow or segregation, other than the Reserve Fund.

2.1.12 "Owner" means Member.

2.1.13 "Owner in Good Standing" means any Owner who has not been determined to be an Owner Not In Good Standing.

2.1.14 "Owner Not in Good Standing" means an Owner who is found by the Board, in accordance with the Governing Documents, to be either in default in the payment of any assessment, fine, or other charge levied by the Board or is in violation of any provision of the Governing Documents.

2.1.15 "Reserve Fund" means monies that the Board has identified in its annual budget for use to defray the future costs of maintaining, restoring, repairing or replacing those major components which the Association is obligated to maintain, restore, repair, or replace.

2.1.16 "Reserve Account" means the financial account or accounts used to hold the Reserve Fund.

2.1.17 "Robert's Rules of Order" means The New Robert's Rules of Order, ed. John Sherman, Fall River Press, NY, NY (1999).

2.1.18 "Resident" means a person who lives in the Development, but who is not an Owner.

2.1.19 "Rule" means a requirement or regulation passed by the Board in accordance with the Governing Documents.

2.1.20 "Rule Change" means any adoption, modification or repeal of an existing Rule or the adoption of a new Rule.

2.1.21 "Working Committee" means a committee whose members include persons who are not Directors, such as Owners or Residents.

- 2.2 Other Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used in these Bylaws unless the context clearly indicates a contrary intention. The terms defined in applicable Law shall have the same meaning when used in these Bylaws except when Law allows another definition and the term is used in a context that clearly indicates a contrary intention.

3 MEMBERSHIP AND VOTING

- 3.1 Membership. Membership in the Association shall include, and shall be limited to, all Owners of any Lot located within the Development. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Upon becoming the Owner of a Lot, each Owner shall automatically be a Member of the Association and shall remain a Member until such time as his or her Lot ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, alienated, or hypothecated in any way, except upon the transfer or encumbrance of the Lot to which it is appurtenant and then only to the transferee or mortgagee, as the case may be, of

such Lot. Any attempt to make a prohibited transfer is void. Upon any transfer of title to a Lot including a transfer upon the death of an Owner, Membership in the Association shall pass automatically to the transferee.

- 3.2 Voting. Owners in Good Standing shall be entitled to cast one vote for each Lot owned. In the event that more than one person owns a given Lot, the vote for such Lot shall be exercised as the Owners among themselves shall determine, but in no event shall more than one vote be cast with respect to any Lot. If the joint Owners of a Lot are unable to agree among themselves as to how their vote or votes are to be cast, such vote shall be cast in accordance with the decision of a majority of such Owners. If there is no such majority, the vote for the Lot shall not be cast either in favor of or opposed to the issue or issues which are the subject of the vote, but the membership shall be counted for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met.

If any Owner casts a vote representing a certain Lot and no written objection thereto is received by the Secretary prior to the close of voting, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Lot. The vote at any meeting of the Owners may be by voice vote or by ballot as determined by the Board of Directors. In any election of Directors where the number of candidates does not exceed the number of Directors to be elected, the election of Directors may be accomplished in accordance with the Governing Documents.

- 3.3 Adoption of Election Rules. The Board of Directors may adopt rules that govern the Association's election procedures which shall include the minimum requirements specified in California Civil Code Section 5100.
- 3.4 Assignment of Membership Rights. A Member who has sold his or her Lot to a Contract Purchaser shall be entitled to assign to such Contract Purchaser his or her rights and privileges of membership in the Association and shall be deemed to have assigned to a Contract Purchaser who has assumed occupancy of the Member's Unit all rights of use and enjoyment of the Common Area. No assignment of any membership rights or privileges to a non-resident Contract Purchaser shall be binding, however, until the Board of Directors has been notified thereof in writing. Notwithstanding any assignment, until fee title to the Lot has been transferred of record, a Contract Seller shall remain liable for all assessments, fines, and other charges imposed by the Board and for compliance with the Governing Documents by all Residents of his or her Lot. Any Member who has leased or rented his or her Lot to another person or persons shall in all events be deemed to have assigned to his or her tenants all rights of use and enjoyment of the Common Area. It is the express purpose and intent of the provisions of this section to limit the right of use and enjoyment of the Common Area to Residents of the Development and their guests.

3.5 **Record Dates.** Only Owners are entitled to receive notice of meetings and only Owners in Good Standing are entitled to vote. Owners of the Association are limited to Owners as that term is defined in the Declaration. The record dates for notice of meetings of Owners and voting shall be determined as follows:

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

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

3.5.3 **Owners Entitled to Cast Ballots.** The Board of Directors may fix a time not more than sixty (60) days before the day on which the first ballot is mailed or solicited as the record date for determining the Owners entitled to cast ballots with respect to any action proposed to be taken without a meeting pursuant to the relevant sections below. In the event no such record date is fixed by the Board of Directors, the record date for the determination of Owners entitled to cast ballots with respect to any proposed action shall be the day on which the first ballot is mailed or solicited. Only Owners in Good Standing as of the record date shall be entitled to receive ballots and vote on the proposed action.

4 MEETINGS OF MEMBERS

- 4.1 **Annual Membership Meeting.** The annual meeting of the Owners will be held during the month of February of each year, or another month as determined by the Board, on a date and at a time and place to be designated by the Board of Directors, upon proper written notice to all of the Owners.
- 4.2 **Special Membership Meetings.** Special meetings of the Owners may be called at any time by the President or by the Board of Directors or pursuant to the written request of Owners entitled to cast at least ten percent (10%) of the Total Voting Power.

4.3 Notice of Membership Meetings.

4.3.1 Written notice of each meeting of the Members shall be given by or at the direction of the Secretary or other person authorized to give notice of a meeting. Written notice shall be mailed by first class mail, postage prepaid, or otherwise delivered as permitted by the Governing Documents at least ten (10) days but not more than ninety (90) days before such meeting, to each Member who, on the record date for notice of the meeting, is entitled to vote at such meeting, except that in the case of a special meeting called pursuant to a written request of Members, notice of such special meeting shall be mailed or otherwise delivered as permitted by the Governing Documents within twenty (20) days after such written request is received by the Board, and the date of such special meeting shall be set by the Board and shall be not sooner than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of such written request.

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

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

4.4 Conduct of Membership Meetings. All meetings of Owners shall be conducted in accordance with Robert's Rules of Order, or such parliamentary procedures as the Association may adopt. Owners shall be allowed to address the Board at a meeting for three minutes each unless the Board establishes a different time limit, which, in any case, must be reasonable.

4.5 Place of Membership Meetings. Annual and special meetings shall be held at a location within the Development, or at a location designated by the Board provided that such location be reasonably close to the Development.

4.6 Quorum at a Membership Meeting. The presence at any meeting, in person or ballot, of Members entitled to cast at least thirty-three and one-third percent (33 1/3%) of the Total Voting Power shall constitute a quorum for the transaction of any business. If, however, such quorum shall not be present or represented at any meeting, the Members otherwise entitled to vote at that meeting shall have the power to adjourn the meeting from time to time, to be reconvened at a subsequent time, including the same day as the

originally scheduled meeting, which is not more than thirty (30) days from the time of the adjourned meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented. At the continuation of any meeting so adjourned, the presence in person or ballot of Members entitled to cast at least twenty-five percent (25%) of the Total Voting Power shall constitute a quorum. The quorum requirements of this section shall be subject to applicable provisions of the Declaration and to any other provisions of the Governing Documents specifically establishing a different quorum requirement.

- 4.7 Proxies. No voting by proxy is allowed at any membership meeting.
- 4.8 Vote of the Members. If a quorum is present, by ballot, in person, the affirmative vote of a majority of the voting power so present and voting on any matter (that is, a Simple Majority) shall constitute the act of the Members, unless the approval of a greater number or proportion of Members is required by any provision of the Governing Documents or of the law. Once a quorum is established, the Members present at a meeting may continue to transact business until adjournment of the meeting even if the withdrawal of some Members leaves fewer than a quorum of Members present. Other than adjournment, any other action requiring a vote of the Members must be approved by at least a majority of the voting power required to constitute a quorum, or by such greater number as required by law or by the Governing Documents.
- 4.9 Disclosure of Voting Results. For a period of one (1) year following the conclusion of a meeting or vote by ballot of the Members, the Association shall, upon written request from a Member, inform the Member of the result of any particular vote of the Members taken at such meeting or by ballot, including the number of Members voting for, the number of Members voting against, and the number of Members abstaining or withheld from voting in a particular vote. If the matter voted on was the election of directors, the Association shall report the number of votes cast for each nominee for director.
- 4.10 Adjournment. Whether or not a quorum is present, any meeting of Members may be adjourned from time to time to be reconvened at a later time, subject to the Governing Documents, by the vote of a majority of the Members present in person at such meeting; however, in the absence of the establishment of a quorum, no business other than adjournment may be transacted.
- 4.11 Action Without a Meeting.
 - 4.11.1 Any action which may be taken at a regular or special meeting (including the election of Directors unless such elections are required by California law to be conducted by ballot in accordance with the procedures set forth in California Civil Code Section 5100) may be taken without a meeting of the Members if the Association distributes a ballot to every Member entitled to vote. The determination to seek Member approval for Association actions through the use of ballots shall be made by a majority vote of the Board.

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

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

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

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

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

5 BOARD OF DIRECTORS; QUALIFICATIONS; TERM OF OFFICE

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

5.2 Qualification and Disqualification of Directors.

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

5.2.2 If one Lot is owned by multiple people, only one (1) Owner of that Lot may serve on the Board at a time.

5.2.3 A person shall be deemed disqualified under the followings circumstances:

- (a) the person is found by a court of competent jurisdiction to be of unsound mind;
- (b) has been convicted of a felony;
- (c) the person fails within sixty (60) days after receiving notice of election to accept such office, either in writing or by attending a meeting of the Board of Directors as a Director;
- (d) the person is absent, without an excuse approved by the Board, from three consecutive meetings of the Board;
- or (e) the person ceases to be a Member or a Member in Good Standing.

5.3 Election and Term of Office.

5.3.1 The Directors shall be elected for a term of two (2) years on a staggered term basis, with two (2) directors being elected in even numbered years and three (3) directors being elected in odd numbered years. There shall be no limit on the number of terms to which a Director may serve. Each Director shall serve until the expiration of his or her term and thereafter until a successor is elected.

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

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

5.5 Vacancies. A vacancy shall exist on the Board of Directors in the event of the disqualification, death, resignation, incapacitation or removal of any Director, or if the authorized number of Directors is increased, or if the Members fail to elect the full authorized number of Directors. The Board of Directors, by a majority vote of the Directors who meet all of the qualifications for Directors as set forth above, shall declare vacant the office of any Director who fails or ceases to meet any required qualification that was in effect at the beginning of that Director's current term of office. Further, the Board, by a majority vote of the Directors who meet all of the required qualifications to be a Director, may, but are not required to, declare vacant the office of any Director who commits any of the following acts:

5.5.1 Fails to attend three (3) consecutive regularly scheduled meetings of the Board or fails to attend more than six (6) meetings of the Board, regular or special, within any twelve (12) month period;

5.5.2 Fails to comply with a duly approved action of the Board;

5.5.3 Fails to comply with the Association's Governing Documents, having been provided proper notice and received a hearing on the matter at which the Board determines that a violation exists;

5.5.4 Falls more than three (3) months in arrears in the payment of assessments provided, however, that the foregoing does not alter the definition of a Member in Good Standing; or

5.5.5 Takes any action considered to be grossly detrimental to the general safety, health, and welfare of the Association and/or its Owners.

5.6 Filling Vacancies. Any vacancy occurring on the Board, except a vacancy created by the removal of a Director, may be filled by the appointment of a Director by the Board,

or, if the number of Directors then in office is less than a quorum, by the vote of a majority of the remaining Directors, or by a sole remaining Director. A Director so chosen shall serve the remainder of the term of office of the Director whom he or she replaces. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. If the Board accepts the resignation of a Director tendered to take effect at a future time, the Board, or if the Board fails to act, the Members, may elect a successor to take office when the resignation becomes effective.

- 5.7 **Compensation.** No Director shall receive compensation for any service he or she may render to the Association as a Director. However, upon approval by the Board, any Director may be reimbursed for his or her reasonable expenses actually incurred in the performance of his or her duties.

6 NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination.

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

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

6.1.3 All nominees shall meet the qualifications set forth above.

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

- 6.2 **Election of Directors.** If required by California law (including without limitation California Civil Code Section 5100), Director elections shall be conducted by ballot in accordance with the procedures set forth in California Civil Code Section 5100. The candidates receiving the largest number of votes shall be elected. There shall be no cumulative voting for election of directors.

- 6.3 **Uncontested Election of Directors.** If, after the close of nominations, the number of people nominated for the Board of Directors is equal to or less than the number of Directors to be elected, the Board may without further action declare that those nominated and qualified are elected to the Board. In such case, the Board of Directors shall notify the Owners of its action. If the number of Directors so elected is less than the number of vacancies, the incoming Board of Directors shall fill the vacancy as provided for in these Bylaws.

7 MEETINGS OF DIRECTORS

- 7.1 Organizational Board Meetings. Within thirty (30) days after each annual meeting of the Owners, the Board of Directors shall hold a meeting for the purpose of organization, election of officers, and transaction of other business, as appropriate.
- 7.2 Regular Board Meetings. Regular meetings of the Board of Directors shall be held at least quarterly at a place within the Development, or at a convenient place designated by the Board provided that such place is located reasonably close to the Development, and on a day and at a time as fixed from time to time by the Board.
- 7.3 Special Board Meetings. Special Meetings of the Board shall be held when called by the President of the Association or by any two (2) Directors.
- 7.4 Emergency Board Meetings. The President or any two (2) Directors may call an Emergency Meeting of the Board. An "emergency meeting" is defined as a meeting held to address circumstances that could not have been reasonably foreseen, which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide regular notice to Owners in conformity with these Bylaws.
- 7.5 Notice to Directors. Except as maybe otherwise provided in these Bylaws, notice of each meeting of the Board shall be communicated to the Directors not less than four days before the date of the meeting by: (a) first class mail, (b) personal delivery, (c) telephone, including voice mail, (d) facsimile, (e) electronic mail or another electronic message delivery system, or (f) any method approved by the Board. Directors are required to provide their contact information to the President and to all other Directors. In the event of an Emergency Meeting, strict adherence to the notice requirements of this section shall not be required provided that a reasonable effort to give notice to each Director shall be made taking into consideration the nature and circumstances of the emergency. Notice of a meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the meeting, or an approval of the minutes thereof, whether before or after the meeting, nor must notice be given to any Director who attends a meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director.
- 7.6 Notice to Members. Except for Emergency Meetings, at least four (4) days prior written notice of the day, time, and place of each Board Meeting shall be given to all Members by posting it in a prominent place or places within the Common Area and by electronic mail, provided that any Members may choose, by providing written notice to the Board, to receive notice via first-class mail rather than through electronic mail. Any notice sent through electronic mail or first-class mail shall be sent to the most recent address on file with the Association. Notice of Board meetings may also be given by (a) mailing or delivery to each Residence, (b) by newsletter, or (c) by other means of communication reasonably designed to provide prior actual notice of such meeting. The

notice shall contain the agenda for the meeting. The agenda shall describe the matters to be discussed at the meeting with sufficient detail to put the recipient on fair notice of the actions that the Board might take.

7.7 Openness of Meeting. Regular, Emergency and Special Meetings of the Board shall be open to all Owners of the Association, except when the Board meets in Executive Session. A reasonable time limit for all Owners to speak to the Board shall be established by the Board, which may limit Member commentary to a specific portion of the meeting.

7.8 Executive Session. Board Meetings in Executive Session are not open to Members.

7.8.1 The Board may only meet in Executive Session to: (a) confer with legal counsel; (b) discuss and vote upon personnel matters, Member discipline, litigation in which the Association is or may become involved; and (c) matters that relate to the formation of contracts between the Association and others.

7.8.2 The Board may not meet in Executive Session to: (a) approve the spending of any Association funds, including Reserve Funds, (b) take any decision regarding the Association's maintenance responsibilities, or (c) take any action not explicitly authorized to be taken in Executive Session.

7.8.3 In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other person whose participation is, in the judgment of the Board, necessary or appropriate, shall be entitled to attend the executive session. The Board shall also, at a Member's request, meet in executive session with such Member to discuss the Member's request to pay unpaid Assessments pursuant to a payment plan. Notwithstanding the preceding, the Board shall not in any way be obligated to accept or agree to any such payment plan.

7.8.4 Directors and Members shall be given notice of a meeting held in Executive Session as if the meeting was an open meeting, provided that the agenda accompanying such notice may provide less detail than the agenda for an open meeting where such brevity is in accordance with the reason that the meeting is being held in Executive Session

7.8.5 The Board shall keep minutes of any meeting held in Executive Session, but, at its discretion, shall not publish those minutes to the Owners if such publication is not in accord with the reason the meeting was held in Executive Session.

7.8.6 The Board shall report the results of any meeting held in Executive Session as soon as is practical in accordance with the reason the meeting was held in Executive Session provided, however, that the Board, at a minimum shall report the results of the Executive Session at the next Regular Meeting or shall provide an explanation of why it cannot yet report the results of the Executive Session.

- 7.9 Telephone Participation. Directors may participate in regular, emergency or special Board meetings through the use of conference telephone, electronic video screen communications, or other communications equipment to the extent permitted by the Governing Documents and California Civil Code Section 4900 *et seq.* and Corporations Code Section 7211(a)(6) provided that, if notice of the meeting is required by these Bylaws, at least one (1) Director must be physically present at the noticed location of the Board meeting.
- 7.10 Quorum for Board Meetings. A majority of the number of Directors then in office shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board.
- 7.11 Minutes of Meetings of Directors.
- 7.11.1 Within thirty (30) days after the date of any meeting of the Board, the Board shall make available to the Owners either (a) the minutes of that meeting as adopted by the Board, or (b) those minutes as proposed for adoption which shall be marked to indicate draft status. Any matter discussed in an executive session shall be generally noted in the minutes of the immediately following Board meeting which is open to the entire membership. To protect and preserve the confidential nature of executive sessions, minutes of executive sessions shall not be subject to inspection by the Owners or others unless the Board in its discretion decides to make the minutes available.
- 7.11.2 Copies of the minutes or proposed minutes shall be provided to any Member upon request and upon reimbursement of the Association's costs in providing such copies. The Board may, but shall not be required to, post the minutes of its meetings on an internet site.
- 7.11.3 Owners shall be notified annually in writing of their right to obtain copies of the minutes of meetings of the Board and how and where those minutes may be obtained.
- 7.12 Meeting Agenda. An agenda for each meeting shall be included with any notice of a meeting. The agenda shall set forth the matters that will be acted upon at the noticed meeting. Except for agendas of an Executive Session, the agenda shall provide sufficient detail of the matters that the Board will consider as to put Owners on fair notice of the actions that might be taken by the Board.

8 POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

8.1.1 Spend money or enter into contracts binding the Association as necessary to carry out the Board's duties or to further the purposes of the Governing Documents.

8.1.2 Adopt, publish, amend, repeal and enforce Rules (all of which shall be in writing) governing the administration, management, operation, use and occupancy of the Development, including without limitation the use of the Common Area and facilities and any other matter which is within the jurisdiction of the Association.

8.1.3 Determine when an Owner is an Owner Not in Good Standing pursuant to the Governing Documents and provided that such a determination is only made after the Board has provided the Owner with notice of the specific cause for such a determination and held a hearing on the matter at which the Owner shall, if he or she wishes, have an opportunity to be heard. No Owner may be deprived of any benefits of membership in the Association prior to a determination by the Board that the Owner is an Owner Not in Good Standing. Once the Board has determined that an Owner is an Owner Not in Good Standing, such determination shall continue until the Board determines otherwise.

8.1.4 Establish, modify, and abolish Board and Working Committees; appoint the members of such committees and oversee the operation of such committees.

8.1.5 Appoint Agents of the Board and oversee the actions of such Agents.

8.1.6 Impose fines, sanctions, or penalties in accordance with the Governing Documents.

8.1.7 Hire or contract with employees, contractors, a manager or management company as either an employee or an independent contractor and to prescribe their duties.

8.1.8 Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, or other professionals to assist the Board to exercise its powers or carry out its duties.

8.1.9 Invest Association reserve funds in prudent investments subject to the provisions of the Governing Documents.

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

8.1.11 Participate in mergers and consolidations with other nonprofit mutual benefit organizations organized for the same purposes as this Association subject to the Governing Documents.

8.1.12 Mortgage, acquire, own, hold, convey, transfer, dedicate, or otherwise dispose

of real or personal property including the power to grant and convey easements, licenses, and rights of way in, over, upon, or under the Common Area.

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

8.1.14 Open, close or transfer accounts at banks, savings & loans or other financial institutions.

8.1.15 Borrow money in the name of the Association as provided for in the Governing Documents.

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

8.2 Limitation of Board Powers. The powers of the Board shall be limited by applicable provisions of Law or of the Governing Documents.

8.3 Board Duties. In addition to any duty imposed by Law or the Governing Documents, the Board shall have the duty to:

8.3.1 Keep (a) a complete record of all its acts and the corporate affairs, including an accurate and current record of the Owners, setting forth their names and addresses; (b) adequate and correct books and records of account; and (c) minutes of the proceedings of the Board.

8.3.2 Prepare and distribute to the Owners annually, not less than thirty (30) days nor more than ninety (90) days prior to the beginning of each fiscal year, a pro forma operating budget accompanied by the form specified in California Civil Code Section 5570.

8.3.3 Commission a Reserve Study in accordance with California Civil Code Section 5550.

8.3.4 Purchase insurance calculated to reasonably protect the Association and Owners from the types of losses typically insured against by common interest developments in California.

8.3.5 Maintain, repair or replace the components of the Common Area and those

elements in the Development for which the Association bears the responsibility to maintain, repair or replace.

8.3.6 Spend money in the Reserve Fund, as necessary, for the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components which the Association is obligated to maintain, restore, repair, or replace and for which the Reserve Fund was established.

8.3.7 Maintain a Reserve Fund segregated from other funds of the Association. The Board may, however, authorize a temporary transfer of money from a Reserve Fund to the Association's general operating fund to meet short term cash flow requirements or other expenses, so long as the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the money will be repaid to the Reserve Fund, and that any such transferred funds shall be restored to the Reserve Fund within one year of the date of the initial transfer, except as otherwise expressly provided by law. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account.

8.3.8 Manage and invest Association money, including money in the Reserve Fund, in a prudent manner intended to: (a) preserve the Association's capital; (b) earn a reasonable return; and (c) ensure that the Association has sufficient cash or other liquid assets to meet the Association's obligations.

8.3.9 Review the Association's accounts consistent with the Board's fiduciary duty and in accordance with generally accepted principles of financial management.

8.3.10 Provide notifications to Owners as required by Law or the Governing Documents or as is necessary to ensure that Owners are reasonably informed about the management and affairs of the Association.

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

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

8.3.13 Supervise all officers, committees, agents, contractors and employees of the Association, and see that their duties are properly performed.

8.3.14 Enforce the provisions of the Governing Documents.

8.3.15 Acquire, provide and pay for utility services as necessary for the Common Area facilities.

9 OFFICERS AND THEIR DUTIES

- 9.1 Enumeration of Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, who shall at all times be Directors.
- 9.2 Election of Officers. The Board of Directors shall elect the officers. The election of officers shall take place at an Organizational Meeting of the Board of Directors held following the election of Directors.
- 9.3 Term. The officers of the Association shall be elected annually by the Board, and each shall hold office for one year, unless he or she shall sooner resign, be removed by the Board, or otherwise be disqualified to serve.
- 9.4 Other Officers. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.
- 9.5 Qualifications. All officers shall be Directors.
- 9.6 Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
- 9.7 Vacancies. A vacancy in any office may be filled by election by the Board. The officer elected to such vacancy shall serve for the remainder of the term of the officer he or she replaces, subject to the Board's right to remove an officer.
- 9.8 Multiple Offices. The offices of President and Treasurer shall not be held by the same person.
- 9.9 President. The President shall be the Chief Executive Officer of the Association and shall, subject to control of the Board, have general supervision, direction, and control of the affairs and the employees and agents of the Association. The President shall preside at all meetings of the Owners and at all meetings of the Board, shall have the general powers and duties of management usually vested in the office of the President of an Association. The President shall be a member of any Working Committee. If an Emergency Expenditure is required, the President has the authority to spend up to \$1,000, or such other sum as may be set by the Board. The President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board.

- 9.10 Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all of the powers of, and be subject to all of the restrictions upon, the President. The Vice President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board.
- 9.11 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may prescribe, a current register showing names of Owners and their addresses; a book of minutes of all meetings of Directors, Owners, and Committees of the Board setting forth the time and place of holding of such meetings; whether regular or special, and if special, how authorized; the notice thereof given; the names of those present at Directors or Committee meetings; the number of Owners and voters present or represented at Owners meetings; and all the proceedings thereof. The Secretary shall give, or cause to be given, notice of all meetings of the Owners and of the Board required by the Bylaws or by law to be given and shall maintain a proper record of the giving of such notice, and shall keep the books, records, and documents of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.
- 9.12 Treasurer. The Treasurer shall be responsible for the receipt and deposit in appropriate accounts of all monies of the Association and shall cause disbursement of such funds as directed by resolution of the Board; may sign all checks and promissory notes of the Association; shall cause to be kept proper books of account; shall cause an annual review of the Association's books and financial statements to be made by a public accountant at the completion of any fiscal year for which such review is required by law or as determined by the Board; shall assist the Board in preparation of an annual budget and a statement of income and expenditures to be presented to the Owners of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board.

10 COMMITTEES & BOARD AGENTS

- 10.1 Board Committees. The Board may create Board Committees consisting of at least two members drawn from the Directors then serving on the Board. A Board Committee shall have such powers and duties as the Board shall determine, subject to the limitations of California Corporations Code Section 7212.
- 10.2 Working Committees. The Board may appoint Working Committees consisting of at least three persons, all of whom must be either an Owner or a Resident. Working Committees shall have such powers and duties as the Board shall determine.
- 10.2.1 Working Committees shall hold meetings when the chair of the Working Committee calls such a meeting or when directed to hold a meeting by the Board. The Chair of a Working Committee shall provide reasonable notice of the date, time and

place of any meeting to all members of the Working Committee and to the Board. Such notice may be given: (a) in person; (b) by email; (c) by telephone; or (d) by any other means agreed to by the members of the Working Committee.

10.2.2 Working Committees shall report on their activities, decisions and actions to the Board from time to time as directed by the Board.

10.2.3 Working Committees shall operate under the supervision of and at the direction of the Board.

10.2.4 The members of each Working Committee shall elect a chairperson subject to the approval of the Board.

10.2.5 Each Working Committee may adopt rules governing the operation and actions of the committee provided that such rules are subject to approval by the Board.

10.2.6 Membership on a Working Committee is open to all Owners and Residents unless the Board shall provide otherwise. All membership on a Working Committee is subject to the Board's approval. The President is a member of each Working Committee. The term of membership in a Committee is for one year provided that the Board may remove a person from a Committee at any time for any reason or no reason. The Board may reappoint a person as a member of a Working Committee upon the expiration of that person's term.

10.2.7 Each Working Committee shall have at least three committee members not including the President. Any Working Committee that fails to maintain the minimum number of members is disbanded if the shortfall is not corrected within a reasonable period of time. The Board may require Working Committees to maintain a higher minimum membership. The Board, in its discretion, may replace a Working Committee that is disbanded for lack of members with either an Agent or with a new Working Committee.

10.2.8 The Board shall have the authority at any time, in its complete discretion, to disband any Working Committee or to appoint members of the committee or to remove any member thereof.

10.3 Compensation of Committee Members. No committee member shall receive compensation for any service he or she may render to the Association as a committee member. However, upon approval by the Board, any committee member may be reimbursed for his or her reasonable expenses actually incurred in the performance of his or her duties.

10.4 Committee Authority. Each Committee shall have the authority delegated to it by the Board provided, however, that no Committee shall have the authority to enter into contracts. No Committee shall spend money without the specific authorization of the Board. Neither the passage of a budget by the Board nor the adoption of a reserve study

by the Board shall act as authority for any Committee to spend money.

- 10.5 Agents. The Board may appoint an agent to carry out such tasks, responsibilities or duties as may be determined by the Board. All appointments of agents by the Board shall be in writing and any such appointment shall expire within one year of an appointment. The Board may renew an appointment upon its expiration. The written appointment of an agent shall set forth the specific authority of the agent. The appointment of an agent shall be specifically noted in the Association's records such as meeting minutes. The written notice of appointment shall be available for inspection by any Owner or by anyone else at the Board's discretion.
- 10.6 Compensation or Indemnification of Agents. The Board may, in appropriate circumstances, offer an agent compensation or to indemnify that agent. Any such compensation or offer of indemnification shall be specifically set forth in the written appointment of the agent.
- 10.7 Agent as Replacement for a Committee. The Board may appoint an agent – either with or without compensation – to take over the tasks and duties of a Committee that has been disbanded because of a lack of members or because of any other reason.
- 10.8 Agent Qualifications. The Board may appoint any Director, Owner, Resident or any other person as its agent provided that such person is, in the discretion of the Board, reasonably qualified by experience, skill or training for the tasks and duties of the position.

11 BOOKS, RECORDS AND FUNDS

- 11.1 Access to Association Records. Association records shall, to the extent required by California law, be available for inspection by any Member. The Governing Documents shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost. The Board may adopt and publish reasonable rules and regulations establishing procedures relating to a Member's inspection and obtaining copies of Association records.
- 11.2 Checks, Drafts and Evidences of Indebtedness. All checks, drafts, or other orders for payment of money and all notes or other evidences of indebtedness, issued in the name of the Association shall be signed in any manner specified by the Board; provided, however, that the signatures of at least two (2) persons who shall be Directors shall be required for the withdrawal of funds from the Association's reserve account.
- 11.3 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in such banks or other depositories as the Board shall, from time to time, determine.
- 11.4 Fiscal Year. The fiscal year of the Association shall run from January 1 through

December 31 of each year unless otherwise determined by resolution of the Board.

11.5 Delivery of Notices and Documents to Members.

11.5.1 All notices and documents that are required to be sent to Members shall be delivered using one or more of the following methods:

11.5.1.1 First-class mail, postage prepaid, certified mail, express mail, or overnight delivery by an express service carrier, addressed to a Member at the address last shown on the books of the Association or otherwise provided by the Member. Delivery is deemed to be complete upon deposit with the carrier.

11.5.1.2 E-mail, facsimile, or other electronic means, unless the Owner has provided written notice to the Association that he or she will not accept such delivery. If a document is delivered by electronic means, delivery is complete at the time of transmission.

11.5.1.3 By publication in a periodical that is circulated primarily to Owners of the Association.

11.5.1.4 Any method of delivery provided for in the Declaration.

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

11.5.2 Multiple notices and documents may be delivered at the same time using the same method.

12 BUDGETS, FINANCIAL STATEMENTS AND RESERVE STUDY

12.1 Annual Financials. The Association shall provide the following annual financial statements or reports to the Owners.

12.1.1 A budget for the operating account consisting of, at a minimum, an estimate of the Association's revenue and expenses for the fiscal year on an accrual basis.

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

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

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

12.1.2.3 The current amount, as of the end of the fiscal year for which

the study is prepared, of accumulated cash reserves actually set aside to maintain, restore, repair, or replace such major components;

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

12.1.2.5 The percentage of the amount of cash reserves necessary to maintain, repair or replace the major components covered by the study that is represented by the amount of cash reserves actually set aside in any Reserve Fund;

12.1.2.6 The current deficiency, if any, in reserve funding expressed on a per unit basis, calculated in accordance with California Civil Code Section 5510;

12.1.3 A statement as to all of the following: (a) Whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repairs or replacement; (b) Whether the Board, consistent with the reserve funding plan adopted pursuant to California Civil Code Section 5560, has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment; (c) The mechanism or mechanisms by which the Board of Directors will fund reserves to repair or replace major components, including Assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms; and (d) Whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

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

12.2 Bank Accounts. The Association may open and maintain such bank or other financial accounts as the Board finds convenient provided that the Association shall open and maintain at least the following accounts:

12.2.1 An Operating Account.

12.2.2 A Reserve Account.

12.3 Account Segregation. The Board shall ensure that the funds in any Operating Account are kept segregated and not co-mingled with the funds kept in any Reserve Account.

12.4 Financial Review. The Association shall conduct, or cause to be conducted, the following financial reviews:

12.4.1 A review or a current reconciliation of the Association's operating accounts on at least a quarterly basis;

12.4.2 A review or a current reconciliation of the Association's reserve accounts on at least a quarterly basis;

12.4.3 A review of the latest account statements prepared by the financial institutions where the Association keeps its operating and reserve accounts;

12.4.4 A review of an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

12.5 Annual Financial Report. The Association shall cause an annual report to be prepared not later than one hundred twenty (120) days after the close of the Association's fiscal year. Such annual report shall contain in appropriate detail (a) a balance sheet as of the end of the fiscal year, (b) an income statement for such fiscal year, (c) a statement of changes in financial position for such fiscal year, and (d) any information required by California Corporations Code Section 8322.

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

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

12.6 Accounting Standards. The Association shall follow Generally Accepted Accounting Practices to the greatest extent possible and, when such is not possible, shall prominently note any departures in the appropriate financial reports.

13 SANCTIONS, FINES AND DISCIPLINARY HEARINGS

13.1 Limitation on Authority. The Association shall not seek to impose any sanction, fine or other penalty on any Owner or Resident except when authorized to do so by the

Governing Documents.

- 13.2 **Authorization.** The Association, through the Board, may sanction, fine or otherwise penalize Owners and Residents in the following manner:
- 13.2.1 The Board may establish and impose fines, which shall be Enforcement Assessments as provided in the Declaration, for the infraction of any provision of the Governing Documents in accordance with the Rules.
- 13.2.2 The Board may suspend the voting or other membership rights and privileges of a Member, including the right to use the recreational facilities, (a) during any period in which such Member shall be in default in the payment of any Assessment, fine or other charge levied by the Association, and (b) for any infraction of the Governing Documents.
- 13.3 **Disciplinary Process.** The Board may, by Rule, set out the process to be followed when imposing any sanction, fine, penalty or the taking of any other disciplinary action provided that such Rules conform with the Governing Documents and provide adequate and fair notice and an opportunity to be heard by the Board to any Owner or Resident subject to such imposition or action.
- 13.4 **Continuing Violations.** In the case of a continuing violation, the Board may deem such continuing violation to constitute two (2) or more separate and distinct violations of the same Governing Document provision and may impose separate and successive sanctions for each such violation. However, the Board shall not impose a separate sanction for violation of the same provision more frequently than once per day.

14 INSURANCE

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

coverage will lapse. The summary distributed pursuant to this section shall contain the statement required by California Civil Code Section 5300. The statement shall be printed in at least 10-point boldface type.

- 14.2 Insurance.** The Association, through its Board, shall obtain from generally accepted insurance carriers, and maintain in effect at all times, the following insurance as a common expense:

14.2.1 A commercial general liability insurance policy insuring the Association, any manager, the Association's directors and officers, and the Owners against any liability incident to any bodily injury or property damage from any accident or occurrence within the Common Area. The policy shall also cover any liability incident to any bodily injury or property damage from any accident or occurrence on any Lot related to any maintenance or repair work required to be performed on any Lot by the Association pursuant to this Declaration, including, but not limited to, work performed in any Common Area. The policy shall include, if obtainable, a cross liability or severability of interest endorsement insuring each insured against the liability to each other. The limits of such insurance (including the commercial general liability and any umbrella liability coverage) shall not be less than three million dollars (\$3,000,000) covering all claims for death, personal injury and property damage, arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others, and other liability or risk customarily covered with respect to projects similar in construction, location and use and shall require at least thirty (30) days written notice to the Association before the policy can be cancelled or substantially modified unless the policy is being replaced with a policy of equivalent coverage. The policy shall be primary and noncontributing with any other liability policy covering the same liability.

14.2.2 A directors and officers liability policy upon terms and with limits as determined by the Board.

14.2.3 A blanket fidelity insurance policy covering any Person who either handles or administers (or is responsible for) Association funds, whether or not that Person receives compensation for services. The Association shall be the insured under the policy and the policy shall provide that ten (10) days written notice be provided to the Association before the policy can be canceled or substantially modified for any reason. The policy amounts shall satisfy the Federal National Mortgage Association ("FNMA") requirements and in no event shall be less than the sum of three (3) months of assessments on all Units subject to assessments.

14.2.4 The Association shall obtain and maintain a master property insurance policy that satisfies each of the following conditions:

14.2.4.1 All Common Area Improvements, including buildings and any additions or extensions thereto; all fixtures, machinery and equipment

permanently affixed to the building; windows; fences; monuments; lighting fixtures exterior signs; and personal property owned or maintained by the Association; and recreational facilities; but excluding land; foundations; excavations; and other items typically excluded from property insurance coverage;

14.2.4.2 As to the Units, the standard fixtures originally installed by the Declarant and any equivalent replacements thereto, including, but not limited to, interior walls and doors; ceiling, floor and wall surface materials (e.g., paint, wallpaper, mirrors, carpets, and hardwood floors); utility fixtures (including gas, electrical and plumbing); cabinets; built in appliances; heating and air-conditioning systems; water heaters installed as a part of the original construction of the residence and any equivalent replacements thereto; but excluding any personal property located in the Unit; and excluding any Improvements or upgrades to any of the foregoing to the extent the replacement costs of any such improvement or upgrade made after completion of the original construction of the Unit exceeds the replacement cost of the original Improvements as determined on the date that Immediately precedes the date of the damage or destruction of the Improvement or upgrade.

14.2.4.3 The Policy shall provide coverage against losses caused by fire and all other hazards normally covered by a "special form" policy or its equivalent.

14.2.4.4 The dollar limit of the policy shall not be less than the full replacement value of the covered property described above provided that there may be lower dollar limits for specified items as is customarily provided in property insurance policies.

14.2.4.5 The policy shall be primary and noncontributing with any other insurance policy covering the same loss.

14.2.4.6 The policy shall contain the following endorsements or their equivalents: agreed amount, inflation guard, ordinance or law, and replacement cost, and such endorsements as the Board in its discretion shall elect after consultation with a qualified insurance consultant.

14.2.4.7 The policy shall waive all subrogation rights against any Owner or occupant and their family members and invitees except to the extent of any deductible.

14.2.4.8 The amount of any deductible shall be paid by the Association and/or Owner as provided herein or pursuant to guidelines adopted by the Board. When a claim is made on the Association's property insurance policy, responsibility for paying the deductible is; (a) the Owner when damage is to

the Owner's Unit; or (b) the Association where damage is to the Common Area. In cases where damage affects more than one Unit or a Unit and the Common Area, each Owner is responsible for the cost to repair the Owner's Unit up to the deductible and the Association is responsible for the cost to repair any other Common Area Improvements up to the deductible. If the cumulative cost of repairs exceeds the deductible, the burden of the deductible shall be prorated between or among the claimants based on the proportion that the costs of repairs to the Unit or Common Area bears to the total cost of repairs. The Association may levy a reimbursement assessment against an Owner's Unit as authorized by the Governing Documents for the Owner's share of the deductible.

14.3 Carrier Requirements. All insurance carriers shall meet the following general and specific requirements:

14.3.1 General Carrier Requirements. All property insurance required to be maintained under this Article shall be issued by an insurance carrier meeting the general requirements of this Subsection and the specific requirements of Subsection 2 of this Section. Such insurance carrier shall have an acceptable rating from either the Best Company, Demotic, Inc., or Standard and Poor's, Inc. If such carrier does not meet the rating requirements of this Section, it must be covered by reinsurance with a company that meets either one of the Best general policyholder's ratings or one of the Standard and Poor's claims paying ability ratings described in Subsection 2 of this Section. All insurance required to be maintained under this Article shall be issued by an insurance carrier which is specifically authorized by law or licensed to do business in the state of California.

14.3.2 Specific Carrier requirements. An insurance carrier must meet one of these specific requirements: (i) a "B" or better general policyholder's rating on a "6" or better financial performance index rating in Best's Insurance Reports; (ii) an "A" or better general policyholder's rating and financial size category of "VIII" or better in Best's Insurance Report's; International Edition; (iii) an "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings; (iv) a "Babb" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's Insurer Solvency Review; or (v) a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service.

14.4 Insured and Loss Payee. The Association, and any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, shall be named so insured on any insurance policy required by this Article and obtained by the Association, for the use and benefit of the Owners. The Association, or Insurance Trustee if applicable, shall be named as loss payee, in trust for all Owners and Secured Parties.

14.5 Prohibited Provisions. No insurance policy required by this Article shall contain or be

subject to any provision under which: (I) the Association, or any Owner or Secured Party would be liable for any contribution or assessment; or (ii) any contribution or assessment for which any other person is liable may become a lien on any property prior to the lien of a Secured Party; or (iii) loss payments are contingent upon any action by the insurer's board of directors, policy holders, or members; or (iv) a Secured Party, Owner, or the Association would be prevented from collecting insurance proceeds other than in accordance with standard insurance conditions.

- 14.6 Notice of Cancellation or Modification. No insurance policy required by this Article shall be subject to cancellation or substantial modification, including for nonpayment of premiums except upon at least ten (10) days prior written notice to the Association or any insurance trustee for the Association and to any Secured Party listed in such policy.
- 14.7 Increased Hazards. No insurance policy required by this Article shall contain a provision relieving the insurer from liability for loss occurring while any covered hazard is increased, whether or not within the knowledge of the Association, the Board, or any Owner, by any act or omission, or breach of any warranty, condition, covenant, or restriction, by the Association, Board, any Owner, or any other person acting under such persons.
- 14.8 Acts of Individual Owners. Each insurance policy must provide that coverage is not prejudiced by any act or neglect of individual Owners or Occupants not within the control of the Owners collectively or of the Association
- 14.9 Waiver of Subrogation. Each insurance policy required by this Article shall contain a waiver by the insurer of any right of subrogation to the rights of any person or entity against Declarant, the Board, the Association, and any Owner or Occupant.
- 14.10 Compliance with Law. All insurance coverage obtained by the Association shall be in accordance with and consistent with local and state insurance law.
- 14.11 Mortgagee Clause. Any property insurance policy obtained by the Association shall contain the standard mortgagee clause, which shall name as Mortgagee either FNMA or the Secured Party for the Mortgages which FNMA holds on Lots, When a Secured Party is named as Mortgagee, its name should be followed by the phrase "its successors and assigns."
- 14.12 Certificates. The Association shall hold certificates or other evidence of all insurance policies obtained under this Article, and shall issue such certificate or other evidence to each Owner and First Mortgagee upon request.
- 14.13 Proceeds. The Association, and any Insurance Trustee if applicable, shall receive, hold, or otherwise properly discourse of any insurance proceeds in trust for Owners and Secured Parties as their interests may appear.
- 14.14 Other Insurance. The Association shall consider and may obtain other insurance

protection that from time to time is necessary or desirable to protect the Association, its members, directors, and officers, including insurance to protect the Association from loss of assessments due to the damage or destruction of Units. The Association shall also consider and, in the discretion of the Board, obtain errors and omissions insurance, and fidelity bond coverage for the acts or omissions of its directors and officers to the extent such coverage is not provided under its commercial general liability insurance policy.

- 14.15 Insurance Not Meeting Requirements. This Article contains provisions ("Insurance Provisions") meeting the minimum insurance requirements of FNMA in effect as of the date of its Recordation. The Board may obtain insurance differing from the Insurance Provisions, including those applicable to minimum insurance carrier ratings, to the extent (a) it obtains insurance coverage complying with changes in those minimum requirements; or (b) the Board cannot obtain coverage complying with the Insurance Provisions, or it cannot obtain such coverage at a cost consistent with good management practice.

15 NOTIFICATIONS

- 15.1 Annual Notifications. The Association shall annually distribute to all Members the following:

15.1.1 An annual report prepared pursuant California Civil Code Section 5300 or 5310.

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

15.1.3 A summary (a) of the statutory provisions relating to employing alternative dispute resolution procedures in certain matters with respect to enforcement of the Governing Documents which specifically references California Civil Code Sections 5925 through 5965 and which includes the language required by California Civil Code Section 5965, and (a) describing the Association's internal dispute resolution process as required by California Civil Code Section 5920.

15.1.4 A written notice regarding assessments and foreclosure required by California Civil Code Section 5730. The notice shall be printed in at least 12-point type and shall be distributed within the sixty (60) day period preceding the beginning of the Association's fiscal year.

15.1.5 A notice and statement concerning the insurance carried by the Association as required by Section 8.2.8 of these Bylaws and California Civil Code Sections 5300

and 5810. This statement shall be distributed not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

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

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

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

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

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

15.1.11 Notice, in advance of each fiscal year, of the regular assessment levied against his or her Lot for that fiscal year.

15.1.12 Notice of any increase in the Regular Assessments or Special Assessments not less than thirty (30) nor more than sixty (60) days prior to such increased Regular Assessment or Special Assessment becoming due.

15.1.13 A schedule of fines that may be assessed against a Member for violations of the Governing Documents in compliance with California Civil Code Section 5855 if the Association has adopted or at any time adopts such a schedule of fines. The schedule shall be in accordance with the disciplinary provisions of the Governing Documents.

15.2 Other Notifications. The Association shall provide such other notifications as required by Law or, in the discretion of the Board, are useful to the Members.

16 ASSOCIATION RULES

- 16.1 Promulgation of Rules.** The Association, through the Board or as provided for in the Governing Documents, may adopt Rules to implement the provisions of the Governing Documents or for any purpose authorized by the Governing Documents.
- 16.2 Adoption, Modification and Repeal.** Any adoption, modification or repeal of a Rule shall conform with the following provisions:
- 16.2.1 The Board shall provide written notice of a proposed new Rule, a change to an existing Rule or the repeal of an existing Rule to the Members at least thirty (30) days before adopting the same. The notice shall include the text of the proposed Rule Change and a description of the purpose and effect of the same. Notice is not required under this subsection if the Board determines that an emergency Rule Change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Association. Provided that any such emergency Rule Change conforms with the applicable provisions for such rule changes provided for in this article and in the Governing Documents.
- 16.2.2 A decision on a proposed Rule Change shall be made at a meeting of the Board, after consideration of any comments made by Owners, Residents or any other person that the Board, in its discretion, wishes to hear.
- 16.2.3 As soon as possible after making a Rule Change, but not more than fifteen (15) days after making the Rule Change, the Board shall deliver notice of the Rule Change to all Members. Members are deemed to have been notified of a Rule Change on delivery of notice of the Rule Change, or on enforcement of the resulting Rule, whichever is sooner. If the Rule Change was an emergency Rule Change then the notice shall include the text of the Rule Change, a description of the purpose and effect of the Rule Change, and the date that the Rule Change will be considered by the Board as a permanent Rule Change.
- 16.2.4 If the Board determines that an immediate Rule Change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Association, it may make an emergency Rule Change. In such case, the notice specified above shall not be required. An emergency Rule Change is effective for one hundred twenty (120) days, unless the Rule Change provides for a shorter effective period. A Rule Change made pursuant to this subsection may not be readopted pursuant to this subsection.
- 16.2.5 Notice required by this section is governed by the notification provisions of the Governing Documents.
- 16.3 Override of Rule Change.** The Owners may override the Decision of the Board to

change a Rule in the following manner:

16.3.1 Owners may call for a special meeting of the Members in accordance with Governing Documents to reverse a Rule Change adopted by the Board, provided that the written request for the same is delivered within thirty (30) days after the Members are notified of the Rule Change.

16.3.2 The Rule Change adopted by the Board may be reversed by the affirmative vote of at least an Absolute Majority of the Total Voting Power. In lieu of calling the meeting described in this section, the Board may utilize a ballot in accordance with the Governing Documents. As soon as possible after the close of voting, but not more than fifteen (15) days after the close of voting, the Board shall provide notice of the results of the Member vote held pursuant to this section to every Member. This section does not apply to an emergency Rule Change.

16.3.3 A Rule Change reversed by the Members may not be readopted by any means for a period of one (1) year after the date of the meeting reversing the Rule Change. Nothing in this section precludes the Board from adopting a different Rule on the same subject as the Rule Change that has been reversed.

16.3.4 The provisions providing for the overriding of a Rule Change shall not apply to any action of the Board that does not result in a rule change including, without limitation, the following.

16.3.4.1 A decision regarding maintenance of the Common Area.

16.3.4.2 A decision on a specific matter that is not intended to apply generally.

16.3.4.3 A decision setting the amount of a Regular or Special Assessment.

16.3.4.4 A Rule Change that is required by law, if the Board of Directors has no discretion as to the substantive effect of the Rule Change.

16.3.4.5 The issuance of a document that merely repeats existing law or the Governing Documents.

16.3.4.6 The expenditure of any Association funds.

16.4 Enforcement. The Rules shall include provisions governing the enforcement of the Rules provided that such provisions must conform with the Governing Documents.

16.5 Publication. A copy of all Rules shall be published on any website maintained by the Association.

17 AMENDMENTS TO BYLAWS

- 17.1 Amendments to Bylaws. These Bylaws may be amended by the affirmative vote of Members equal at least to the majority of a quorum needed for a meeting of the Members provided, however, that any amendments made solely to comply with a change in applicable federal, state or local law, code, or ordinance may be made upon majority vote of the Board of Directors only.
- 17.2 Vote to Amend. Any vote to amend these Bylaws shall take place by ballot as provided for in the Governing Documents or at a Members meeting.

18 MISCELLANEOUS

- 18.1 Precedence. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the case of any conflict between these Bylaws and the Rules, the Bylaws shall control.
- 18.2 Reference to Law. Any reference to a California Civil Statute or to any other Federal State or local law incorporates any amendments to the statute as well as any successor statute.
- 18.3 Severability. If any provision or part of these Bylaws is found to be invalid or unenforceable by a competent court or other body with jurisdiction then that provision or part shall be either: (a) reformed so as to make it valid or enforceable while still furthering the original intent of the provision or part, or (b) severed from these Bylaws if reformation is not possible. The reformation or severing of any provision or part pursuant to this section shall not affect the validity or enforceability of any other provision or part of these Bylaws.
- 18.4 Choice of Law. These Bylaws shall be interpreted pursuant to the laws of the State of California.

CERTIFICATE OF AMENDMENT AND ADOPTION

I certify that this First Restated Bylaws of Fieldstone Owners Association was duly approved by the required vote of the members of the Fieldstone Owners Association.

Phyllis Manford
Phyllis Manford
Secretary

2/13/17
Date

Notary: See Attached Acknowledgment 

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

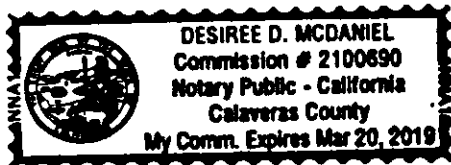
State of California)
County of Calaveras)

On February 13, 2017 before me, Desiree D. McDaniel, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Phyllis Manfred
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Desiree D. McDaniel
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: First Restated Bylaws of Fieldstone Owners Association. Document Date: Feb 13, 2017
Number of Pages: 17 Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

Signer's Name: _____
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____