
**Third Amended and Restated Bylaws of
Nepenthe Association**

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**THIRD AMENDED AND RESTATED BYLAWS
OF
NEPENTHE ASSOCIATION**

ARTICLE I: RECITALS AND DEFINITIONS

Section 1.1. Name and Principal Office of Association

The name of this corporation is Nepenthe Association and shall be referred to herein as the “Association.” The principal office of the Association is located at 1131 Commons Drive, Sacramento, California.

Section 1.2. Association Is Nonprofit

The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Corporations Code Sections 7110-8970) as a nonprofit mutual benefit corporation.

Section 1.3. Specific Purpose

The specific and primary purpose of this Association shall be to maintain, manage and repair the Common Area and Common Facilities within that certain real estate common interest development located in the County of Sacramento, State of California, and commonly referred to as Nepenthe, to maintain individual Lots to the extent and in the manner more particularly described in the Third Amended Declaration of Covenants, Conditions and Restrictions (herein “CC&Rs”), enforce the Association Rules and policies adopted (from time to time) by the Board of Directors and the terms and conditions of the CC&Rs and otherwise to enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 1.4. Definitions

(a) Definitions Incorporated by Reference

All terms used herein that are defined in the CC&R’s in Article I are incorporated by reference herein and shall have the same meaning when used herein.

ARTICLE II: OWNERS’ VOTING RIGHTS

Section 2.1. Voting

(a) The Association shall have one (1) class of voting Owners.

(b) On each matter submitted to a vote of the Owners, whether at a meeting of the Owners called and held pursuant to the provisions of these Bylaws or otherwise, each Owner shall be entitled to cast one vote for each Lot owned by such Owner (subject to limitations found in Section 3.3, below). Each vacancy on the Board to be filled by a vote of the Owners shall be considered a separate “matter submitted to a vote of the Owners” for purposes of this section.

Section 2.2. Eligibility To Vote

Only Owners in Good Standing shall be entitled to vote on any issue or matter presented to the Owners for approval. An Owner’s Good Standing shall be determined as of the record date established in accordance with Section 4.8, below. If an Owner who owns more than one (1) Lot is not an Owner in Good Standing with respect to any such Lot, they shall be ineligible to cast any vote whatsoever.

Section 2.3. Manner of Casting Votes

(a) Voting during Owners' Meetings

Except as otherwise provided by Section 3.5, voting at any Owners' meeting may be by voice, show of hands or by written ballot, provided, however, that election of members of the Board shall be by written ballot. The vote on any other issue properly before a meeting of the Owners shall be conducted by written ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by five percent (5%) of the voting power present at the meeting.

(b) Voting by Written Ballot

In addition to voting in person or by proxy at a meeting (as specified in Subsection (a), above), Owners' votes may be solicited by written ballot (the ballots may be distributed at the meeting or in accordance with Section 2.4, below) with respect to any issue.

(c) Cumulative Voting

Cumulative voting is not permitted.

Section 2.4. Action by Written Ballot Without a Meeting

(a) Definition of Written Ballot

A "written ballot" for purposes of this Section (and only this Section 2.4) is a ballot that is mailed or otherwise distributed to every Owner entitled to vote on the matter and that complies with the requirements of this Section, Corporations Code Section 7513, and Civil Code Section 5115(a). For purposes of this Section 2.4 only, the term "written ballot" does not include a ballot distributed to Owners at a meeting for purposes of conducting a vote of the Owners at such meeting.

(b) Written Ballots Generally

For so long as Civil Code Section 5100(a) or a comparable superseding statute remains in effect, all elections regarding assessments, selection of Directors, amendments to the Governing Documents or the grant of exclusive use of common area property to an Owner shall be conducted pursuant to this Section 3.5. Any other matter or issue requiring the vote of the Owners may be submitted to the Owners for approval by means of a mail-in written ballot without the necessity of calling a meeting of the Owners, as long as the requirements for action by written ballot set forth in this Section are satisfied. The determination to seek Owner approval for Association action in this fashion shall be made by a majority vote of the Board. Once the determination is made to seek Owner approval by written ballot, the Board may establish a record date (see Section 4.8) for purposes of determining those Owners eligible to cast written ballots.

(c) Balloting Time Requirements

(i) Distribution

In the case of any matter or issue submitted to the Owners for approval by written ballot, the Board shall distribute the written ballot to every Owner entitled to vote on the matter at least thirty (30) days prior to the final date the written ballots are to be received to be counted. For ballots for director elections, the culmination of the balloting period shall be the date of the annual or special Owners' meeting.

(ii) Extension of the Balloting Period

The time fixed for the return of written ballots may be extended only if the Board so notifies the Owners in the balloting materials originally sent to Owners and then for not more than two (2) successive periods of thirty (30) days each. Notwithstanding the foregoing, if a meeting is scheduled and adjourned without concluding the election process, the time fixed for the return of written ballots shall be extended to the date the adjourned meeting is reconvened.

(d) Content of Written Ballots

(i) Written Ballots in General

Any written ballot distributed to the Owners to vote on any issue shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposed action. For election of Directors, the ballots shall set forth the names of all candidates whose names have been placed in nomination at the time the ballot is issued. The ballot form shall also provide a space where the Owner can designate a vote for another (i.e., write-in) candidate.

(ii) Specification of Time for Return of Written Ballot

All written ballots shall state the time by which the ballot must be received in order to be counted (See Subsection (c), above).

(e) Identification of Owner Casting Ballot

The ballot shall not on its face provide any method for identifying the Owner voting. Instead, a double envelope system shall be used in which the completed ballot is placed in a sealed envelope, which is then placed in another sealed envelope. The Owner voting shall sign the outside envelope and indicate the address of the unit for which the ballot is being cast.

(f) Requirements for Valid Owner Action by Written Ballot

Owners approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the required quorum as specified in these Bylaws that would have been required to be present at an Owners' meeting if 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.

(g) Solicitation Provisions

(i) All solicitations of written ballots shall indicate (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Association in order to be counted; and (C) in the case of any written ballot distributed to vote on matters other than the election of Directors, the percentage of affirmative votes necessary to approve the measure submitted for Owners approval. If the period for the return of written ballots is extended, the Board can, in its discretion, announce to the Owners the aggregate votes for or against the proposal received as of the extension date.

(ii) In addition to the requirements of subparagraph (i), above, solicitation materials accompanying written ballots distributed in director elections shall advise the Owners that their ballots may be returned by mail or personal delivery to the Association's principal office as indicated in Section 1, above

(h) Inspectors of Election

The Board shall appoint one or three persons to act as inspector(s) of election for all elections regarding assessments, selection of Directors, amendments to the Governing Documents or the grant of exclusive use of common area property to an Owner. An Inspector or inspectors may be appointed for other elections at the discretion of the Board. Inspectors shall not be a member of the Board or a candidate for the Board or related to a Director or candidate for the Board. The Association Manager, the Association's counsel or accountant or any other person not expressly disqualified under this subsection may serve as an inspector. The duties of the inspector or inspectors shall be to receive ballots and determine their validity, count and tabulate all votes, determine when voting shall be concluded, determine the results of the election, and perform any other acts necessary to assure the fairness of the election. The Association Rules may clarify and expand upon the duties of inspectors so long as such Rules are consistent with California law.

(i) Notification of Results of Balloting Process

For all elections regarding assessments, selection of Directors, amendments to the Governing Documents or the grant of exclusive use of common area property to an Owner, the vote shall be counted and tabulated by the inspector or inspectors of election in public at a properly noticed meeting of the Board or of the Owners. Upon tabulation of the written ballots, the Board shall notify the Owners of the outcome of the vote within thirty (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 for valid action, the Board shall so notify the Owners.

(j) Tabulation of Votes Prior to Completion of Balloting

The Board may, at its discretion, at a regular or special meeting open to the Owners, request the inspector(s) of election to count the votes received to date on a matter for which a ballot has been distributed to the Owners even though the deadline for return of the ballots has not yet passed. The inspector(s) shall tally the votes in accordance with this section and announce the results at the meeting of the Board. The Board, based upon the votes received to date, may extend the deadline for return of the ballots by a reasonable time.

(k) Additional Balloting Procedures

If deemed necessary by the Board, the balloting shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this Section, as are necessary to assure the fairness of the procedure and conformance with California law. The Association Rules may also specify such additional balloting procedures.

(l) Prohibition of Revocation

Once cast (i.e., received by the Association), a written ballot may not be revoked.

(m) Conducting Informational Meetings

Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Owners or from scheduling an Owners' meeting to coincide with the culmination of the balloting period. In the case of Director elections, the balloting period shall culminate with the annual meeting, or any special meeting, at which the election is scheduled to be held.

Section 2.5. Majority Vote Required

If a quorum is present the affirmative vote of the majority of the Owners represented at the meeting (or by written ballot pursuant to Section 2.4, above), entitled to vote and voting on any matter (other than the election of

Directors), shall be the act of the Owners, unless the vote of a greater number of Owners is required by the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Act or by the Governing Documents.

ARTICLE III: OWNERS' MEETINGS

Section 3.1. Place of Meeting

Meetings of the Owners shall be held within the Development or at such other reasonable place within Sacramento County as may be selected by the Board.

Section 3.2. Annual Meeting

There shall be a regular meeting of the Owners every year. The annual meeting shall be held in May of each year, unless other considerations warrant that the Board change when the annual meeting is held. The date, time, and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Owners.

Section 3.3. Special Meetings

(a) Persons Entitled To Call Special Meetings

A majority of a quorum of the Board, the President of the Association or five percent (5%) or more of the Owners in Good Standing may call a special meeting of the Owners at any time to consider any lawful business of the Association.

(b) Procedures for Calling Special Meetings Requested by Owners

(i) Form of Written Request

In order to call a special meeting by five percent (5%) or more of the Owners in Good Standing, a request shall be submitted by such Owners in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic, electronic or facsimile transmission to the President, or the manager of the Association. The written request shall bear the signatures of all requesting Owners and the Owner(s) circulating the request shall append a written, signed certification to the request attesting to the validity of the signatures. In order to count as a valid signatory, an Owner signing said request must be an Owner in Good Standing on the date the request was signed.

(ii) Action by Association

Upon receipt of the request by the Association, notice shall be promptly given to the Owners, in accordance with the provisions of this Article, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request. If notice of the meeting is not given to the Owners within twenty (20) days after the Association's receipt of the request, the Owners requesting the meeting may give the notice. The right of the requesting Owners to notice and call said meeting on their own initiative shall not arise until after the twenty (20) day period has elapsed.

(iii) Use of Written Ballot in Lieu of Special Meeting

The Board may, in its sole discretion, distribute a written ballot pursuant to Section 3.5 above and Corporations Code Section 7513 for any Owner action which is the subject of a valid written request pursuant to this subsection instead of calling a special meeting of Owners. If a written ballot is to be used, it shall be distributed to the Owners within twenty days of receipt of the written request by the association. The ballot shall include a deadline for return that is not more than ninety (90) days from the date of receipt of the written request. The Owners submitting the request shall, as a group, be entitled to submit a written statement of their reasons for requesting the

Owner action which shall be included with the ballot. Such statement shall not, unless authorized by the Board, exceed five pages. The Owners submitting the request shall be responsible for payment of the Association's actual cost for copying such statements and for any additional mailing costs.

(iv) Subsection Not Applicable to Meetings Called by President or Board

Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Owners may be held when the meeting is called by action of the Board of Directors or the President.

Section 3.4. Notice of Owners' Meetings

(a) Requirement That Notice Be Given

Notice of all annual and special meetings of the Owners shall be sent or otherwise given in writing to all Owners.

(b) Time Requirements for Notice

The notice of Owners' meetings shall be given in the manner specified in subparagraph (e) of this Section, not less than ten (10) nor more than ninety (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 twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) Minimum Requirements Regarding Contents of Notice

The notice of any Owners' meeting shall specify the place, date, and hour of the meeting. 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 Owners. In the case of an annual meeting, the notice shall also describe those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the Owners; but any proper matter may be presented at the meeting for action by the Owners so long as a quorum is present. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted, and contain a statement that "no other business may be transacted at the special meeting."

(d) Specification of Certain Significant Actions

If any action is proposed to be taken at any Owners' meeting for approval of any of the following proposals, the notice shall state the general nature of the proposal. Owner action on the following items is invalid unless the notice or written waiver of notice or consent complies with this provision:

(i) Removing a Director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Owners is required;

(iii) Amending the Articles of Incorporation of this Association, these Bylaws and/or the CC&Rs in any manner requiring approval of the Owners;

(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;

(v) Approving any change in the Association's assessments in a manner requiring Owners' approval under the Governing Documents; or

(vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service

Notice of any meeting of Owners shall be given either personally or by first-class mail, telegraphic, or other written communication, charges prepaid, addressed to each Owner either at the address of that Owner appearing on the books of the Association or the address given by the Owner to the Association for the purpose of notice. If no address appears on the Association's books and no other address has been given, notice shall be deemed to have been given if either (i) notice is sent to that Owner 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 Sacramento County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient. If authorized by the Board, any such notice may be given by email transmission to those Owners who have submitted a written authorization for all notices to be delivered by such means and have provided a valid email address. Any such notice by email shall conform to the requirements of Corporations Code Section 7511 or comparable superseding statute.

(f) Affidavit of Mailing

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

(g) Approval of Minutes

The Board shall have the ability to approve the minutes of any special Owners' meeting.

Section 3.5. Quorum Requirements

(a) Quorum Requirements Generally

The following quorum requirements must be satisfied in order to take valid action at any meeting of the Owners or for any act by written ballot pursuant to Section 3.5, above:

(i) Quorum for Removal of Directors from Office and Assessment Increases

In the case of any Owners' meeting or written ballot (pursuant to Section 4.3, above) called or conducted for the purpose of voting on the removal of any Director from office or conducted for the purpose of voting on assessment increases requiring Owners' approval, the quorum requirement for valid action on the proposal will be the percentage specified in Civil Code Section 5605(c) or comparable superseding statute. That quorum percentage is currently defined as more than fifty percent (50%) of all Owners.

If the minimum quorum percentage specified in this subsection (a)(i) is not satisfied, the meeting may be adjourned to another time and/or place not more than thirty (30) days after the initial meeting date (See 4.5(a)(iv) below) by a majority of those Owners present, but the same quorum requirements will apply at the reconvened meeting.

(ii) Quorum for Valid Action on All Other Matters

In the case of an Owners' meeting or written ballot (pursuant to Section 3.5, above) called or conducted for any purpose other than to vote on the matters described in Section 4.5(a)(i) above, the quorum shall be twenty five percent (25%) of the Owners Eligible to Vote, provided, however, that if any regular Owners' meeting is actually attended, in person or by proxy, by less than one-third of the Voting Power of the Association (but a quorum is present),

the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting.

(iii) No Quorum Established

If a quorum is never established for the meeting (except for subsections (i)-(ii), above), a majority of those Owners who are present in person or by proxy may vote to adjourn (or end) the meeting for lack of a quorum, but no other action may be taken or business transacted. Adjournment is the only valid act that may be taken if a quorum of the Owners is not established. Any act of the Owners (whether at a meeting or by written ballot pursuant to Section 3.5, above) is void and has no effect if the requisite quorum requirement is not met.

(iv) Reduction in Quorum Percentage for Action on Other Matters

Whether or not the minimum quorum percentage specified in Subsection (a)(iii), above, is satisfied, the meeting may be adjourned to another time and/or place not more than thirty (30) days after the initial meeting date (See Section 4.6, below) by a majority of those Owners present. At the reconvened meeting, the quorum percentage for all matters except those described in Subsection 4.5(a)(i)-(ii) above shall continue to be twenty five percent (25%) of the Owners Eligible to Vote.

(b) Owners Represented by Proxy

Owners present at an Owners' meeting in person or by proxy (subject to the limitations set forth in Section 4.3) will be counted toward satisfaction of the quorum requirements specified herein.

(c) Effect of Departure of Owners from Meeting

The Owners present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Owners to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Owners required to constitute a quorum.

Section 3.6. Adjourned Meeting

(a) Adjournment Generally

Any Owners' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than thirty (30) days) by the vote of the majority of Owners present at the meeting (present either in person or by proxy). Unless there is an absence of a quorum at the reconvened meeting (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting (subject to the quorum requirements of Section 4.5 above).

(b) Notice Requirements for Adjourned Meetings

When an Owners' 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.

Section 3.7. Waiver of Notice or Consent by Absent Owners

(a) Waivers and Consents Generally

If decisions are made or an action is otherwise taken by the Owners at a meeting where a quorum is present, but for which proper notice was not given to all Owners for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each Person entitled to vote who was not present at the

meeting in person or by proxy consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Section 4.4(d), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents, or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of an Owner's Attendance at a Meeting

Attendance by an Owner or the Owner's proxy holder at a meeting shall also constitute a waiver of any objections such Person may have with respect to notice of that meeting, except when the Owner or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of 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 that are required to be described therein pursuant to Section 4.4(d), if that objection is expressly made at the meeting. Attendance at a meeting is also not a waiver of any right to object to said meeting for reasons other than improper notice.

Section 3.8. Record Dates for Owner Notice; Voting and Giving Consents

(a) Record Dates Established By the Board of Directors

For the purpose of determining which Owners 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 Owners 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 maybe, notwithstanding any transfer of any Ownership 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 be as follows:

(i) Persons entitled to Notice of Owners' Meetings

In the case of determining those Owners entitled to notice of a meeting, not be more than ninety (90) nor less than twenty (20) days before the date of the meeting.

(ii) Persons entitled to Vote at Owners' Meetings

In the case of determining those Owners entitled to vote at a meeting, not be more than sixty (60) days before the date of the meeting.

(iii) Persons entitled to Cast Written Ballots

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

(iv) Persons entitled to Exercise Other Legal Rights

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

(v) Rights of First Mortgagees

The voting and notice rights of First Mortgagees shall be as set forth in the CC&Rs.

(b) Failure of Board to Fix a Record Date

If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) Record Date for Notice of Meetings

The record date for determining those Owners entitled to receive notice of a meeting of Owners 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

The record date for determining those Owners entitled to vote at a meeting of Owners 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

The record date for determining those Owners 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

The record date for determining those Owners entitled to exercise any rights in respect to any other lawful action shall be Owners 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 Section, a person holding an Ownership as of the close of business on the record date shall be deemed to be the Owner of record.

Section 3.9. Conducting Meetings

All Owner meetings shall be conducted in accordance with a recognized system of parliamentary procedure or such other parliamentary procedures as the Association may choose to adopt. If the Association has not adopted parliamentary procedures and a dispute arises that cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

ARTICLE IV: BOARD OF DIRECTORS

Section 4.1. General Board Powers

Subject to the limitations set forth in any of the Association's Governing Documents or California law relating to such actions that require Owner approval, the business and affairs of the Association shall be vested in and exercised by the Association's five (5) member Board of Directors, including, in particular, all powers and duties set forth in the CC&Rs and other Governing Documents. Subject to the limitations expressed in Section 8.1 (pertaining to Committees), below, and any restrictions set forth in the CC&Rs, 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 4.2. Specific Powers

Without prejudice to the general powers of the Board of Directors set forth in Section 5.1, above, the directors shall have the power to:

- (a) Exercise all powers vested in the Board under the Governing Documents 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, prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation and these Bylaws, and fix their compensation.
- (c) Appoint such agents and employ such other employees, including attorneys and accountants, as it 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 CC&Rs, governing the use of the Common Areas, the Common Facilities and roads within the Properties and the personal conduct of the Owners, lessees, 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 Areas or Common Facilities; provided notice and a hearing are provided as more particularly set forth in the CC&Rs. 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 Governing Documents 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 10.01, below.
- (k) Levy and collect Assessments from the Owners of the Association in accordance with the CC&Rs, 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 CC&Rs.
- (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 Owner.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board, and prescribe rules under which said nominating committee is to act.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with this Article VIII.

(p) Fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member.

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

(r) Bring and defend actions on behalf of more than one Owner or the Association to protect the interests of the Owners or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Owners for the cost of such litigation. Any disciplinary action against an Owner shall be subject to the hearing and procedural requirements set forth in the CC&Rs.

(s) Enter Lots as necessary, subject to the notice requirements of the CC&Rs, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common.

Section 4.3. Limitations on Powers

Subject to Section 6.7 of the CC&Rs, without the vote or written assent of a majority of the voting power of the Owners, the Board of Directors shall not take any of the following actions:

(a) 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 (1) year. This restriction shall not apply to: (i) FDA or VA approved management contracts; (ii) 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; or (iii) prepaid casualty or liability insurance policies not to exceed three (3) years duration; provided the policies provide for short rate cancellation by the insured.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five (5%) percent of the budgeted gross expenses of the Association for that fiscal year; provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five (5%) percent of the budgeted gross expenses of the Association for that year; provided, however, that this limitation shall not apply to the sale or other disposition of any Lot acquired by the Association in foreclosure proceedings.

(d) 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.

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

Section 4.4. Number and Qualification of Directors

The Board shall consist of five (5) members, each of whom shall be an Owner in Good Standing. Only one

(1) Owner per Lot may be a member of the Board at one time. All Directors must maintain their good standing status with the Association during their term of office or be subject to removal for cause pursuant to Subsection 5.6(b)(iv), below. Trustees of a trust which is an Owner of a Lot may be a member of the Board. Nothing contained herein shall require an Owner to be a Resident to serve on the Board. Contract purchasers, lessees, servants, employees, guests, invitees, licensees, and/or persons who hold an interest in a Lot merely as security for the performance of an obligation may not serve on the Board.

Section 4.5. Term of Office

Directors shall serve for a term of two (2) years. The Association will institute a rotation of Directorships on a staggered term basis so that two (2) director positions are vacant and thus must be filled at the annual Owners' meeting in even-numbered calendar years and each two years thereafter and three (3) positions are vacant and thus must be filled at the annual Owners' meeting in odd-numbered calendar years and each two years thereafter. No director shall serve more than three (3) consecutive two-year terms.

Each Director, including a Director elected to fill a vacancy or elected at a special meeting of Owners, will hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 4.6. Nomination of Directors

(a) Nominations by Committee

Nominations for election to the Board of Directors shall be made by a nominating committee consisting of at least three (3) Owners appointed by the Board of Directors no later than December 31 of each year. The nominating committee shall be comprised of a chairperson who shall be a member of the Board of Directors and two (2) Owners of the Association and shall serve until the conclusion of the annual meeting and until the directors to be elected have been duly elected and qualified. Not later than sixty (60) days prior to the annual Owners' meeting, the Board of Directors shall hold a special meeting (the "Nominating Meeting") for the purpose of receiving the nominating committee's written report.

The nominating committee shall organize itself and determine its own procedure for soliciting and evaluating the qualifications of prospective nominees and shall consider such matters as the willingness and ability of each candidate to devote the time necessary to serve in such capacity, the candidate's managerial and professional experience, his or her general reputation for the exercise of good judgment, and his or her availability to the property manager and Owners. 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 that are to be filled. Upon presentation by the nominating committee of its written report to the Board at the Nominating Meeting, all nominations shall be closed except as provided in subparagraphs (b) and (c), below.

(b) Nominations from the Floor

At a meeting scheduled to coincide with the culmination of the balloting period to elect directors (see Section 4.06, above), any Owner who is present in person at the meeting may place names in nomination.

(c) Petition Procedure

A person can become a candidate by filing with the manager a petition in support of his or her candidacy signed by no less than two (2%) percent of the voting power of the Association who are, themselves, in good standing with all Assessments paid. The Owner circulating the petition shall append his or her written certification to the petition attesting to the validity of the signatures and to the fact that all signatures were obtained within eleven (11) months preceding the date scheduled for the election. Candidate petitions must be filed with the manager no later than thirty-five (35) calendar days prior to the scheduled annual election date.

(d) Good Standing Requirement

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

(e) Communications to Owners

Nominees shall be afforded a reasonable opportunity to communicate their qualifications and reasons for candidacy to the Owners and to solicit votes, and for a reasonable opportunity for all Owners to choose among the nominees. The written ballot form distributed in any director election shall include the names of every nominee as of the date the ballot is sent, listed alphabetically and indicating incumbency. The Association will accept and publish statements of candidacy by the nominees in the Association's newsletter mailed prior to the annual meeting.

Section 4.7. Election of Directors

(a) Directors Elected by Written Ballot

The process described in Section 3.5 shall be used for the election and removal of Directors.

(b) Determination of Election Results and Succession to Office

The Board of Director candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected as Directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify for a Director position, the tie shall be broken by lot (such as, the candidates drawing straws).

(c) Uncontested Elections

In any election of Directors where the number of candidates does not equal or exceed the number of Directors to be elected, the election of Directors may be accomplished by acclamation by the Board of Directors without the use of secret ballots unless prohibited by California law.

(d) Supervision of Election Process

The election of directors shall be supervised by the Inspector(s) of Election consisting of one or three (3) Owners appointed by the Board. No member of the Board or nominee may serve on the Committee. The president shall designate the chair of the Committee. The duties of the Committee shall include the following, subject to the ultimate authority vested in the Board:

- (i) Assist the Board in preparing the Notice of Annual Meeting, form of Ballot, and Official Proxy forms;
- (ii) Determine the number of Ownerships outstanding and the voting power of each, the number of Owners represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies;
- (iii) Provide a procedure for the mailing of written ballots and proxies to all Owners entitled to vote and for the receipt of all ballots and proxies, their placement in the ballot box, and for the security of the ballot box; and
- (iv) Open the ballot box, receive, count and certify all ballots and proxies and notify the Board in writing of the results of the election when all ballots and proxies have been counted. The Committee shall perform its duties impartially, in good faith, to the best of its ability and as expeditiously as is practical.

Section 4.8. Vacancies on Board of Directors

(a) Vacancies Generally

A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation, or removal of a Director (under Subsections (b) through (d), below); (ii) an increase of the authorized number of Directors; or (iii) the failure of the Owners, at any meeting of Owners at which any Director or Directors are to be elected, to elect the number of Directors to be elected at such meeting.

(b) 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;

(iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236 (relating to the standards of conduct of Directors);

(iv) fails to maintain the Director's "Owner in Good Standing" status for a period of ninety (90) consecutive days or longer;

(v) fails to attend two (2) consecutive regular meetings of the Board of Directors that have been duly noticed in accordance with California law, or fails to attend more than four (4) regular or special meetings of the Board that have been duly noticed in accordance with California law, within any twelve (12) month period;

(c) Authority of Owners to Remove Directors

Except as otherwise provided in Subsections (c) or (e) of this Section, a Director may be removed from office prior to expiration of his or her term only by the affirmative vote of a majority Owners. Any Owners' action to recall or remove a Director shall be conducted in accordance with the following procedures:

(i) A written petition must be presented in person to the President, Vice President, or Secretary of the Association and must carry the signatures of Owners in Good Standing who represent at least five percent (5%) of the Owners. Such petition must set forth the reason(s) the petitioners are seeking the Director's removal; the signature and Lot address of each petitioner in his or her own handwriting; the name(s) of the sponsor(s) of the petition; and must fulfill all other requirements of law. The sponsors circulating the petition shall append a written, signed certification to the petition attesting to the validity of the signatures.

(ii) Within twenty (20) days after receipt of such petition, the Board shall call a meeting of the Owners (pursuant to Section 3.5) to vote upon the requested recall. Such meeting shall be conducted not less than thirty-five (35) nor more than ninety (90) days after the petition is presented to the Board.

(iii) If the Board fails to set a date for, and give the Owners notice of, such meeting within twenty (20) days, the Owners initiating the petition may call such meeting on their own initiative without Board approval or sanction. The right of the requesting Owners to notice and call said meeting on their own initiative shall not arise until after the twenty (20) day period has elapsed.

(iv) The Director(s) whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the Association together with either the recall ballot (See Section 3.5, above) or the notice of meeting (See Section 4.4, above).

(v) If the quorum requirement for a valid Owners' action is not satisfied or if the vote in favor of recall does not satisfy the requirements of Section 3.5, above and/or Subsection 5.6(c)(vii), below the removal action will have failed.

(vi) In order to preserve Association assets, if a recall attempt fails, the Owners' right to another recall vote for the same Director(s) shall not arise until six (6) months has elapsed from the date of the last recall vote.

(vii) Unless the entire Board of Directors is removed from office by a vote of the Owners, an individual Director shall not be removed unless (a) the requisite quorum is present and (b) a majority of the Owners vote for the Director's removal. The majority requirement is satisfied only if the number of votes cast by Owners for the Director's removal is greater than or equal to the sum arrived at by using the following formula: $(X \div 2 + 1)$, where X equals the total number of Owners present at the Owners' meeting (in person or by proxy) or, if written ballots under Section 3.5 are used, X equals the total number of Owners responding by written ballot.

(viii) If the removal/recall of all Directors is approved by a vote of the Owners, the Association's attorney of record (if present) or the Association Manager (if the Association's attorney is not present) shall serve as the interim chairman for that Owner meeting until the Owners have elected a new Board of Directors and the newly elected Board selects a new chairman for that Owner meeting.

(d) Removal by Court Action

The Superior Court of Sacramento County may, in response to a suit filed by any Director or at least five (5) Owners in Good Standing, 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.

(e) Filling Vacancies

Vacancies on the Board of Directors shall be filled 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 the Owners in which case the vacancy shall be filled by the affirmative vote of a majority of the Owners represented in person or by proxy at a duly held meeting of the Owners or by written ballot in accordance with Section 3.5, above. Furthermore, the Owners may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors at duly held meeting or by the Owners at a duly held meeting or by written ballot.

(f) 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 effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(g) Reduction in Number of Directors

No amendment to these Bylaws which reduces the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

Section 4.9. Disputes as to Elections and/or Removal of Director(s)

Should any dispute arise as to whether one or more Director(s) were validly removed, elected and/or appointed, such dispute shall be subject to binding arbitration. The arbitrator appointed to decide the dispute shall be knowledgeable/experienced in the area of corporate law. The arbitration shall be held and the arbitrator's decision

shall be made as soon as practical. The prevailing party in such a dispute shall be entitled to an award of reasonable attorney's fees and costs, pursuant to Civil Code Section 5975 or comparable superseding statute.

Section 4.10. Compensation

Directors, Officers, and/or Owners of Committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as the Board of Directors determines are just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE V: BOARD MEETINGS

Section 5.1. Place of Meetings

Regular and special meetings of the Board of Directors may be held at any place within or reasonably near Sacramento County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the provisions of this Section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board Owners, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Section 5.2. Annual Meeting of Directors

Immediately following each annual meeting of Owners, the Board of Directors shall hold a regular meeting for the purposes of organization, election of officers, appointment of committees and committee members for the coming year, ratification of specific acts performed on behalf of the Association during the previous year by various persons and committees, and the transaction of other business. Notice of this meeting shall not be required.

Section 5.3. Other Regular Meetings

(a) Frequency of Regular Meetings

Other regular meetings of the Board shall be held at such time as shall from time to time be fixed by the Board of Directors. Ordinarily, regular meetings shall be conducted monthly.

(b) Notice Requirements

Notice of the time and place of all regular meetings of the Board shall be given to each Director not less than four (4) days prior to the meeting 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); (D) e-mail transmission; (E) facsimile transmission; and/or (F) other electronic medium/method. All such notices shall be given or sent to the Director's mail address, email address or telephone number as shown on the records of the Association or as designated by that Director. However, notice of a regular meeting need not be given to any Board Owner who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in Section 6.11, below. Notice of the time and place of regular meetings shall also be posted in a prominent place or places within the Common Area at least four (4) days prior to the meeting. Notice of the time and place of regular meetings may also be published in the Association's newsletter and/or mailing to all Owners.

Section 5.4. Special Meetings of the Board

(a) Who May Call a Special Meeting

Special meetings of the Board of Directors may be called for any purpose at any time by the President or by

any two (2) Directors.

(b) Notice of Special Meetings

(i) Manner of Giving Notice

Notice of all special meetings of the Board shall be given to each Director by any 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); (D) e-mail transmission; (E) facsimile transmission; and/or (F) other electronic medium/method. All such notices shall be given or sent to the Director's address, email address or telephone number as shown on the records of the Association or as designated by that Director. Notwithstanding the foregoing, notice of a special meeting need not be given to any Director who attends the meeting and signs a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Section 6.11, below.

(ii) Time Requirements

Notices sent to Directors by first-class mail shall be deposited in a United States mailbox at least four (4) days before the time set for the meeting. Notices to Directors given by personal delivery, telephone or other electronic medium/method shall be given at least forty-eight (48) hours before the time set for the meeting.

(iii) Notice to Owners

Notice of the time, place of special meetings shall also be posted in a prominent place or places within the Common Area at least forty eight (48) hours prior to the meeting. Notice of the time and place of special meetings may also be published in the Association's newsletter and/or mailing or electronic mail to all Owners.

(iv) Notice Contents

The notice of special meetings shall state the time, place and purpose of the meeting.

Section 5.5. Emergency Meetings of the Board

An emergency meeting of the Board may be called by the president of the Association, or by any two (2) members of the Board other than the president, if there are 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 notice to Owners as required by Subsection 6.4(b), above. The notice of such emergency meeting shall be given to the directors by personal delivery, telephone (including voice mail systems or other systems with technology designed to record and communicate messages), facsimiles, electronic mail or other electronic means at any time prior to the emergency meeting.

Section 5.6. Action without Meetings

The board shall not take action on any item of business outside of a board meeting. However, electronic transmissions may be used as a method of conducting an emergency board meeting if all directors, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the board meeting. These written consents may be transmitted electronically.

Section 5.7. Executive Sessions

The Board shall be entitled to call and/or to adjourn from a general Board Meeting at any time for purposes of convening in executive session to discuss: (i) litigation in which the Association is or may become a party; (ii)

matters relating to the formation or performance of contracts with third parties; (iii) Owner discipline; or (iv) personnel matters. The Board may also convene in Executive Session to meet with an Owner at the Owner's request regarding the Owner's payment of assessments, as specified in Civil Code Section 5665(b) or comparable superseding statute. If an Owner who may be subject to a fine, penalty and/or other form of discipline requests, the Board shall meet in executive session to discuss the imposition of the fine, penalty and/or other form of discipline. The Owner who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Prior to adjournment to executive session, a general statement of the nature of any and all business to be considered in executive session shall be given.

Except for an emergency meeting, Owners shall be given notice of the time and place of an executive session at least two (2) days prior to the executive session. Notice shall be given by (i) posting the notice in a prominent place(s) within the Common Area; (ii) by mail, to any Owner who requested notification of Board meetings by mail, at the address requested by Owner; (iii) by personal delivery of written notice to the Lot(s); (iv) by newsletter or other similar means of communication; or (v) by electronic means, if consent given by the Owner. The notice shall contain the agenda for the executive session.

Section 5.8. Owners' Rights

(a) Meetings Generally Open to Owners

With the exception of executive sessions of the Board, any Owner of the Association may attend and speak at any Board and/or Owner meetings. Owners shall be limited to five (5) minutes each to speak. The Chair of the meeting shall have the discretion to allow any Owner to speak on any matter pending before the Board subject, however, to the right of a majority of the Board members present to further limit participation.

(b) Board Meeting Minutes

Minutes shall be kept for all Board meetings. Taking into consideration the need to maintain confidentiality of matters discussed in executive sessions, any matter discussed in an executive session shall only be generally noted in the minutes of the Board meeting. The minutes (or draft minutes that are marked to indicate draft status, or a summary of the minutes) of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Owners within thirty (30) days following the Board meeting. Upon an Owner's request (and payment of the Association's costs of copying and distribution), copies of the minutes (or draft minutes that are marked to indicate draft status, or a summary of the minutes) shall be provided to the requesting Owner. Owners shall be notified annually in writing of the Owners' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

Section 5.9. Quorum Requirements

Three (3) Directors currently elected and serving shall constitute a quorum for the transaction of business for any and all purposes, except to adjourn as provided in Section 6.10, below. 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. 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 remaining Directors at that meeting, or such greater number as may be required by law.

Section 5.10. Adjournment

A majority of the Directors present, whether or not a quorum exists, may adjourn any Board meeting to another time and place. If the meeting is adjourned for four (4) days or less, no notice of the rescheduled meeting is required. If the adjournment is for a period over four (4) days, then prior to the time of the rescheduled meeting, notice of adjournment to the new time and/or place shall be posted in a prominent place or places within the

Common Area and given to the Directors who were not present at the time of the adjournment. Except as provided above, no other notice needs to be given.

Section 5.11. Waiver of Notice

Any action taken at 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 Board meetings 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 the lack of proper notice either before or at the inception of the meeting.

Section 5.12. Conducting Meetings

All Board meetings shall be conducted in accordance with a recognized system of parliamentary procedure or such other parliamentary procedures as the Association may choose to adopt. If the Association has not adopted parliamentary procedures and a dispute arises that cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 5.13. Presiding Officer

The President of the Association shall be the chairperson of the Board and shall preside at all meetings of the Board, unless such responsibility is appointed to another officer of the Board or the Association's manager.

ARTICLE VI: OFFICERS

Section 6.1. Officers

The Officers of the Association shall be a President, a Vice President, a Secretary, and a treasurer and such other officers as the Board may from time to time by resolution appoint.

Section 6.2. Election of Officers

The Officers of the Association shall be elected by the Board at the first meeting of the Board following each annual meeting of the Owners. New officer positions may be created and filled at any meeting of the Board. Any vacant position may be filled at any meeting of the Board.

Section 6.3. Terms; Removal of Officers

Generally, the Officers of the Association shall hold office for a period of one (1) year. Any Officer may be removed by the Board with or without cause, at any regular or special meeting. Such removal may, in the discretion of the Board, be given immediate effect.

Section 6.4. Resignation of Officers

Any Officer may resign at any time by giving written notice to the Board, the President and/or the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. Unless otherwise specified therein, 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 6.5. Vacancies

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled for the unexpired portion of the term by the vote of a majority of Board members present at a duly noticed Board meeting at which a quorum is also present.

Section 6.6. Duties

(a) President

The President shall be a member of the Board of Directors. The President 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. The President shall preside at all meetings of the Board and the Owners, shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers, acts and duties as may be authorized by the Board or are set forth in the Bylaws, and shall see that orders and resolutions of the Board are carried out. The President shall not simultaneously hold any other offices during their term as President.

(b) Vice President

The Vice President shall be a member of the Board of 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. The Vice President shall perform such other acts and duties and have such powers as from time to time may be prescribed by the Board or set forth in these Bylaws.

(c) Secretary

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Owners 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 Owners present in person or by proxy at Owners' meetings, and the proceedings thereof. The secretary shall serve notice of meetings of the Board and of the Owners; keep appropriate current records showing the Owners of the Association together with their addresses, and shall perform such other duties as are required by the Board.

(d) Treasurer

The Treasurer of the Association shall receive and deposit in appropriate accounts all monies of the Association; shall disburse such funds as are directed by the resolution of the Board of Directors; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; prepare an annual budget and a statement for income and expenditures to be represented to the Owners at each Annual Meeting, and deliver a copy of each to the Owners; prepare all other financial reporting and accounting documents required by California law, and shall perform such other duties as are required by the Board.

(e) Member at Large

A member of the Board who is not an officer shall be designated Owner at Large.

Section 6.7. Delegation of Officers' Duties

The duties set forth above may be delegated to assistant officers, the Association Manager, or to other authorized agents or employees of the Association so long as the appropriate officer is ultimately responsible for oversight and supervision of such persons. Provided, however, that such persons may not be delegated the authority to sign checks or otherwise disburse Association funds or to execute contracts, promissory notes, leases or other

written instruments on behalf of the Association, except by express resolution of the Board granting such specific authority to a particular person.

Section 6.8. Officers' Authority to Execute Contracts

The Board may, by resolution, authorize any Officer(s) to enter into any contract in the name of, or on behalf of, the Association (pursuant to the Board's authority to enter into contracts as set forth in the CC&Rs). Unless expressly authorized by resolution of the Board, no Officer shall have any power or authority to bind the Association by any contract or agreement, or to pledge the credit of the Association, or to render the Association liable for any purpose and/or on any account.

ARTICLE VII: COMMITTEES

Section 7.1. Charter Committees

The Board may, by resolution adopted by a majority of the directors then in office, appoint Charter Committees as follows: a Nominating Committee, an Election Committee, an Architectural Review Committee, a Finance Committee, a Grounds Committee, an Insurance, Legal and Risk Committee and such other committees as from time to time the Board deems appropriate. Each committee shall consist of three (3) or more Owners. Each Committee shall develop Standards and Practices which, upon approval by the Board, shall define categorical responsibilities,

A member of the Board shall be appointed to the Nominating Committee and may be appointed to any other advisory committee with the exception of the Election Committee; provided that no advisory committee shall exercise the authority of the Board. Without limiting the generality of the foregoing, no committee shall:

- (a) Take any final action on any matter which, under the Nonprofit Corporation Law of California, also requires approval of the Owners.
- (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.
- (e) Create new committees or appoint new members to committees.
- (f) Expend Association funds to support a nominee for director after there are more people nominated for director than can be elected.
- (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.

Section 7.2. Appointment and Term of Office

The Nominating Committee and the Election Committee shall be appointed in the manner and shall serve for a term of one year or by further resolution of the Board. All other committees shall be appointed at the Annual Organizational Meeting of the Board at which time the Board shall designate the membership of each committee for the succeeding year and the chairpersons thereof. Each committee member shall serve for a term of one year.

Section 7.3. Architectural Review Committee

It shall be the duty of the Architectural Review Committee to consider and act upon the proposals and plans submitted to it pursuant to Article IV of the CC&Rs, to perform other duties delegated to it by the Board of Directors and to carry out all other duties imposed upon it by the CC&Rs. In selecting Members of the Architectural Review Committee, the Board shall endeavor to appoint Members whose occupation or education will provide the design, implementation, technical knowledge, and expertise relevant to matters within the Committee's jurisdiction.

Section 7.4. Finance Committee

It shall be the duty of the Finance Committee to recommend to the Board policies, practices and procedures related to the Nephenthe finances including but not limited to general and special assessments, expenditures of operating and reserve accounts, budgeting procedures, investment of financial assets and to perform other duties that may be delegated to it by the Board. In selecting Members of the Finance Committee, the Board shall endeavor to appoint Members whose occupation or education will provide the financial and technical knowledge and expertise relevant to matters within the Committee's jurisdiction.

Section 7.5. Grounds Committee

It shall be the duty of the Grounds Committee to recommend to the Board policies, practices and procedures related to the Nephenthe grounds, including but not limited to reviewing, maintaining, installing and removing of turf, ground covers, shrubs, trees, flowers, walkways and other landscaping-related items, and to perform other duties that may be delegated to it by the Board. In selecting members of the Grounds Committee, the Board shall endeavor to appoint members whose knowledge and interest in landscaping matters can assist the Board in preserving and enhancing the Nephenthe landscape.

Section 7.6. Meetings and Actions of Committees

(a) Regular meetings of the Architectural Review Committee and Finance Committee shall be scheduled and calendared monthly. Other Charter Committees shall meet at such time and place as each may deem appropriate.

(b) Special meetings of committees may be called by the committee with approval of the President or Vice-President of the Board.

(c) Four (4) days' notice of special meetings of committees, except in a bona fide emergency or a continuation of a prior regular meeting, shall be given to Owners, who shall have a reasonable right to attend meetings of the committee. Any change in the time and place of a scheduled meeting, regular or special, shall be communicated by email to the Owners. Minutes of each meeting of the committee shall be maintained and a copy promptly transmitted to the President of the Board and the property manager for filing and such distribution to the Owners as the President of the Board shall direct. The Board of Directors may adopt rules not inconsistent with the provisions of these Bylaws for the government of any committee.

Section 7.7. Committee Reports

The chairpersons of the Architectural, Finance and Grounds Committee shall report the activities of their respective committees at the monthly regular meeting of the Board of Directors unless none of the committee's activities of the prior month require Board approval as determined by the Board.

ARTICLE VIII: CONFLICTS OF INTEREST

Section 8.1. Conflicts of Interest

(a) Prohibited Actions by Directors and Committee Members

A director or member of a committee shall not vote on any of the following matters:

- (i) Discipline of the Director or committee member.
- (ii) An Assessment against the Director or committee member for damage to the Common area or Common Facilities.
- (iii) A request, by the Director or committee member, for a payment plan for overdue assessments.
- (iv) A decision whether to foreclose on a lien on the separate interest of the director or committee member.
- (v) Review of a proposed physical change to the separate interest of the Director or committee member.
- (vi) A grant of exclusive use common area to the Director or committee member.

(b) Decisions Involving Financial Interest of Association Official

No Association official (including Directors, Officers, committee members and/or Association Manager) shall make, participate in making, or in any way attempt to use his or her official position to influence an Association decision in which said Association official knows, or has reason to know, that said official has a direct or indirect financial interest which is distinguishable from the financial interest of the Owners of the Association generally. If any matter in which a Director has such an interest is to be voted upon by the Board, the Director shall notify the Board prior to the vote of his or her interest in the matter and shall abstain from voting on that matter.

(c) Litigation Involving Association, Board Members or Association Manager

No person who has instituted legal action against the Association or another Director may serve or continue to serve as a Director. No person who has instituted legal action against the Association Manager may serve or continue to serve as a Director unless such action has been authorized by a majority of Directors currently serving on the Board.

Section 8.2. Employees

The provisions of Section 8.1 shall not apply to an employee of the Association when he or she is negotiating his or her compensation or the terms of his or her employment.

Section 8.3. Enforcement

(a) Determination of Conflict of Interest by the Board

The Board has adopted a written Conflict of Interest Policy which each Director, Committee member, vendor and property manager or their authorized officer/principals shall annually sign. The Board shall determine, by a majority vote on the basis of all facts, whether a conflict of interest exists with respect to an Association decision. If

the Board determines that a conflict exists, the Board may (by majority vote) refer the matter under discussion to a special committee of the Board, of which the Association official with the conflict of interest is not a member.

(b) Remedies for Violation

If an Association Director is found by the Board to have violated this Article by making, participating or attempting to use his or her position to influence an Association decision or by instituting or continuing to pursue litigation against the Association, another Director or the Association Manager, the Board may commence either a recall election by the Owners or file an action in the Superior court to have the Director removed. If an Association Officer (who is not a Director) is found by the Board to have violated this Article VIII by making, participating or attempting to use his or her position to influence an Association decision, or by instituting litigation against the Association, a Director or the Association Manager, the Board may remove said Officer from office.

Section 8.4. Applicability

The provisions of this Article shall not apply to contracts entered into on or before the date that these Bylaws are adopted by the Association.

ARTICLE IX: ASSOCIATION RECORDS AND DISCLOSURES TO OWNERS

Section 9.1. Standard for Association Financial Records

All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 9.2. Budgets, Financial Statements and Other Disclosures

The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Owner of the Association pursuant to the provisions of Civil Code Sections 5300, *et seq.* or comparable superseding statutes:

(a) Budget

A pro forma operating budget for each fiscal year (or a summary of the pro forma operating budget with a written notice of the location where the full pro forma operating budget is available for Owner review pursuant to Civil Code Section 5300(b) or comparable superseding statute);

(b) Year-End Audit or Review

A year-end audit or review of the Association's finances shall be performed by a licensee of the California State Board of Accountancy for any year in which an audit or review is required by Civil Code Section 5305 or comparable superseding statute. The year-end audit or review shall consist of at least the following items: (i) A balance sheet as of the end of the fiscal year; (ii) An operating (income) statement for the just ended fiscal year; (iii) A statement of cash flows for the just ended fiscal year; (iv) A statement advising Owners of the place where the names and addresses of the current Owners are located; and (v) Any information required to be reported under Corporations Code Section 8322 requiring the disclosure of certain transactions in excess of fifty thousand dollars (\$50,000.00) per year between the Association and any Director or Officer of the Association and indemnifications and advances to Officers or Directors in excess of ten thousand dollars (\$10,000.00) per year;

(c) Annual Statement Regarding Delinquency/Foreclosure Policy

A statement setting forth the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of Assessments and/or violations of Governing Documents including the notice regarding assessments and foreclosure required by Civil Code Section 5310 or any comparable superseding statute; and

(d) Annual Summary of Association’s Insurance Coverage

A summary of the Association’s property, general liability, earthquake and flood, fidelity and other insurance policies, if any, with the information required by Civil Code Section 5310(a)(7) or comparable superseding statute. The Association’s disclosure obligations may be satisfied by distributing to the Owners a copy of the policy declaration page, if that page presents the information specified above.

(e) Notice of Requirements for Approval of Physical Changes

As long as Civil Code Section 5310(a)(10) or comparable superseding statute remains in effect, a statement of the requirements for Association approval of any physical changes to property, the types of changes requiring Association approval and the procedure used to review and approve or disapprove proposed changes.

(f) Notice Regarding Alternative Dispute Resolution

The summary required by Civil Code Section 5965 or comparable superseding statute regarding the Association’s internal dispute resolution procedures and the formal ADR procedures set forth in Civil Code Sections 5925 - 5965 or comparable superseding statutes.

Section 9.3. Disclosure of Schedule of Fines or Other Monetary Penalties

If the Association adopts a schedule of fines for commonly recurring infractions of the Governing Documents, or any other policy imposing a monetary penalty or a fee on any Owner for violation of any Governing Document or the Association Rules, including any monetary penalty relating to the activities of a guest or invitee of an Owner, the Board shall distribute the schedule or policy to the Owners by either personal delivery or by first-class mail. This distribution obligation shall arise whenever such a schedule or policy is adopted or subsequently amended.

Section 9.4. Required Reserve Disclosure; Studies and Inspection

The Board shall also comply with the reserve disclosure, study and inspection requirements specified in Civil Code Sections 5550 et seq., or comparable superseding statutes as long as the said statutes remain in force.

Section 9.5. Record Keeping

The Board shall keep or cause to be kept all Association books, records and papers, including all Governing Documents, at the principal business office of the Association or at such other place as the Board may designate.

Section 9.6. Fiscal Year

The Association’s fiscal year will be as determined by Board resolution.

Section 9.7. 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. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of two (2) directors both of who are officers of the Association.

Section 9.8. 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 Owners. 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 9.9. Other Accounts

The Association 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 VIII of the CC&Rs. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

ARTICLE X: INSPECTION RIGHTS OF OWNERS AND DIRECTORS

Section 10.1. Owner's Rights to Inspect

Owners may inspect and copy those Association records which California law requires be made available to Owners. Such records for the current fiscal year and for the preceding two fiscal years shall be made available in accordance with the applicable law. The Association Rules may provide a procedure for requesting such inspections, copying costs and other related matters, provided, however, that such Association Rules shall conform to current California law and the Governing Documents.

Section 10.2. Director's Rights to Inspect

Every Director shall have the right to, at any reasonable time, inspect all Association books, records, documents, and minutes and/or the Association's physical property. The right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE XI: AMENDMENTS

Section 11.1. Amendment of Bylaws

(a) Amendment by Board of Directors

The Board of Directors may, by a vote of a majority of all Directors, adopt amendments to these Bylaws when an amendment is needed to conform a particular provision or provisions of these Bylaws to changes in applicable California State law when said changes in applicable California State law are mandatory and nondiscretionary in nature. Before entertaining a motion to approve any such amendment(s), the Board shall receive a written opinion from the Association's legal counsel confirming that (1) a change or changes in California law necessitates a corresponding amendment to the Association's Bylaws to make the affected Bylaw provision(s) an accurate statement of current underlying California law and (2) the Association is bound by law to observe said change or changes in California law.

(b) Amendment by the Owners

Except as provided in Subsection (a), above, these Bylaws may be adopted, amended, or repealed only by the affirmative vote (either at an Owner meeting or by written ballot pursuant to Section 3.5, above) of Owners representing a majority of all Owners. If any provision of these Bylaws requires the vote of a larger proportion (or all) of the Owners, such provisions may not be altered, amended, or repealed except by such vote, unless otherwise specifically provided herein.

Section 11.2. Effective Date

Any amendment to these Bylaws shall become effective immediately upon approval by the Owners.

Section 11.3. Book of Bylaws

The Secretary of the Association shall certify adoption of any duly approved amendment to the Bylaws. Whenever new Bylaw(s) or amendment(s) are adopted, a copy of the Bylaw(s) (as amended or adopted) and the certification shall be inserted into the book of Bylaws maintained by the Association. If any Bylaw(s) are repealed, the date upon which the repeal was enacted shall also be stated in the book of Bylaws.

ARTICLE XII: GENERAL PROVISIONS

Section 12.1. Manager

The Board may, from time to time, employ the services of an Association Manager (or management company) 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 Association Manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the CC&Rs, provided that the Association Manager shall at all times remain subject to the general control of the Board.

Section 12.2. Notice Requirements

Any notice or other document permitted or required to be delivered as provided herein may be delivered as provided in the CC&Rs.

Section 12.3. Construction and Definitions

Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law (Corporations Code Sections 7110 et seq.) and the Davis-Stirling Act (Civil Code Sections 4000 et seq.) shall govern the construction of these Bylaws. All provisions of these Bylaws shall be liberally construed together to promote and effectuate the fundamental concepts of this Association.

Section 12.4. Indemnification of Association Directors and Officers

(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 positions, 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 this 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 Corporations Code section 7237(a).

(b) Approval of Indemnity by Association

On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code section 7237(e) 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 Owners. At that meeting, the Owners shall determine under Corporations Code section 7237(e) whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if it has, the Owners present at the meeting in person or by proxy shall authorize indemnification.

(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 subparagraphs (a) and (b) of this section in defending any proceeding covered by those subparagraphs 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 12.6. No Waiver

Failure to enforce any provision of the Governing Documents shall not constitute a waiver of the right to enforce that provision subsequently.

Section 12.7. Gender

The masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular.

Section 12.8. Captions and Titles

All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

Section 12.9. Conflicts with Other Documents

In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the CC&Rs and these Bylaws, the CC&Rs shall control. In the case of any conflict between other Governing Documents and these Bylaws, the Bylaws shall control.

Section 12.10. State Law; Severability

Notwithstanding the provisions of Section 12.3, above, these Bylaws shall be deemed independent and severable. The invalidity or partial invalidity of any provision of these Bylaws shall not affect the validity or enforceability of any other provision of these Bylaws which shall remain in full force and effect. In case any of the Bylaws conflicts with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon a court determination to such effect. All other Bylaws shall remain in full force and effect.

CERTIFICATE OF SECRETARY

The undersigned duly elected and acting Secretary of the mutual benefit nonprofit corporation, known as Nepenthe Association does hereby certify that the above and foregoing Bylaws were duly adopted by vote or written consent of at least a majority of the voting power of the Owners of Nepenthe Association, and that the same does now constitute the Bylaws of Nepenthe Association.

(Secretary)

**FIRST AMENDMENT TO THE THIRD AMENDED AND RESTATED BYLAWS OF
NEPENTHE ASSOCIATION**

**FIRST AMENDMENT TO THE THIRD AMENDED AND RESTATED BYLAWS OF
NEPENTHE ASSOCIATION**

RECITALS

A. Nepenthe Association, a California nonprofit mutual benefit corporation (the "Association"), is a homeowners association organized to manage and maintain the Nepenthe development located in the County of Sacramento, California.

B. On June 24, 2016, the Owners of the Association approved the following amendment to the Third Amended and Restated Bylaws of Nepenthe Association.

AMENDMENT

Article IV, Section 4.6(b), Nominations from the Floor, is hereby deleted.

Article IV, Section 4.7(c), Uncontested Elections, hereby provides:

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 by acclamation by the Board of Directors without the use of secret ballots unless prohibited by California law.

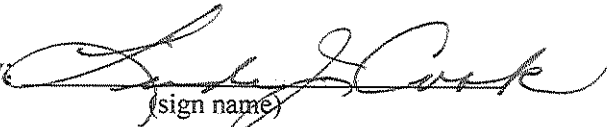
CERTIFICATION

I, the undersigned, certify:

1. I am the duly elected secretary of Nepenthe Association.
2. This First Amendment to the Third Amended and Restated Bylaws of Nepenthe Association was duly approved on June 24, 2016, by Nepenthe Association in accordance with the procedures for amendment as set forth in Article XI, Section 11.1 of the Third Amended and Restated Bylaws of Nepenthe Association.

Dated: 3/24/2017

Nepenthe Association

By: 
(sign name)
Linda J. Cook
(print name)