



State of California
Secretary of State

I, BRUCE McPHERSON, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

MAY 27 2006

A handwritten signature in cursive script, appearing to read "Bruce McPherson".

BRUCE McPHERSON
Secretary of State

**ARTICLES OF INCORPORATION
OF
MARTIS CAMP COMMUNITY ASSOCIATION**

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

MAY 11 2006

I

The name of this corporation is MARTIS CAMP COMMUNITY ASSOCIATION.

II

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law. More specifically, the corporation will own, repair, maintain and manage common areas, enforce the rules and regulations as adopted from time to time by the Board of Directors of the corporation, and discharge such other lawful duties and responsibilities as may be required pursuant to the corporation's Bylaws and the Declaration of Covenants, Conditions and Restrictions for Martis Camp (the "Declaration") recorded in the Office of the Recorder of Placer County, State of California, with respect to the Martis Camp common interest development (the "Development").

III

The name and address in this state of the corporation's initial agent for service of process are Ronald Parr, DMB Highlands Group, LLC, 10185 Truckee Airport Rd., Suite 410, Truckee, CA 96161.

IV

This corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act. The business office of the corporation is DMB Highlands Group, 10185 Truckee-Airport Road, Truckee, CA 96161. The nine-digit ZIP code for the Development is 96161-3326; and the front street and the nearest cross street of the Development are Shaffer Mill Road and Lodgetrail Drive, respectively. There is no managing agent for the corporation at the time these Articles of Incorporation are being filed.

V

This corporation is intended to qualify as a Homeowners' Association under the applicable provisions of the Internal Revenue Code, and of the Revenue and Taxation Code of California. No part of the net earnings of this corporation shall inure to the benefit of any private

individual, except as expressly provided in those sections with respect to the acquisition, construction, or provision for management, maintenance, and care of the corporation's property, and other than by a rebate of excess membership dues, fees, or assessments. In the event of the dissolution, liquidation, or winding up of the corporation, upon or after termination of the aforementioned real estate Development in accordance with provisions of the Declaration, the corporation's assets remaining after payment, or provision for payment, of all known debts and liabilities of the corporation shall be divided among and be distributed to the members thereof in accordance with their respective rights therein.

VI

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this corporation.

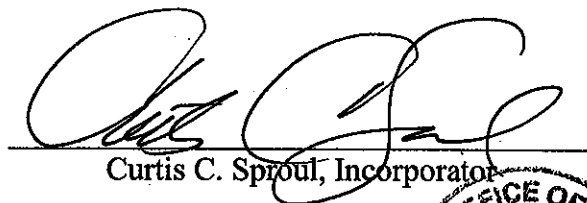
VII

The authorized number, and qualifications for membership in this corporation, the different classes of membership, the property, voting and other rights and privileges of members and their liability for dues and assessments and the methods of collection thereof, shall be as provided for in the Bylaws of this corporation and the Declaration.

VIII

Any amendment of the articles hereunder shall require the vote or consent by written ballot of (i) at least a bare majority of the Board of Directors; (ii) so long as the corporation has Class A and Class B memberships, upon the vote or written assent of at least a bare majority of each class; or (iii) after conversion of the Class B memberships to Class A memberships, upon the vote or written assent of total voting power of the corporation, including fifty-one (51%) percent of the voting power of members other than the Declarant.

DATED: 04-26, 2006.


Curtis C. Sproul, Incorporator



BYLAWS
OF
MARTIS CAMP COMMUNITY ASSOCIATION

**BYLAWS
OF
MARTIS CAMP COMMUNITY ASSOCIATION**

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**BYLAWS
OF
MARTIS CAMP COMMUNITY ASSOCIATION**

**ARTICLE I
Recitals and Definitions**

Section 1.01. Name of Association. The name of this corporation shall be the Martis Camp Community Association and shall be referred to in these Bylaws as the "Association."

Section 1.02. Association Is Nonprofit. The Association is formed pursuant to a California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code, §7110 et seq.) as a non-profit mutual benefit corporation, and is an "association" as defined by California Civil Code section 1351(a).

Section 1.03. Specific Purpose. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Areas and Common Facilities within the Martis Camp common interest real estate development located in the County of Placer, State of California, to enforce this Declaration, the Bylaws and the Association Rules adopted by the Association's Board of Directors, from time to time, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 1.04. Definitions.

- (a) County. "County" means the County of Placer, State of California.
- (b) Declaration. "Declaration" means the Declaration of Covenants, Conditions and Restrictions for Martis Camp, Recorded on _____, 2006 as Instrument No. _____, as such Declaration may from time to time be supplemented, amended or modified by a duly Recorded subsequent Declaration, or amendment thereto.
- (c) Good Standing. "Good Standing" means that a Member is current in the payment of all Assessments owing to the Association and that the Member's rights, as such, have not been

suspended as the result of any disciplinary action taken in accordance with Article XIII of the Declaration.

(d) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in Section 5.05, below. Any Member may be represented at a membership meeting by proxy (see Section 4.05, below).

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

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

ARTICLE II

Location of Principal Office

The principal office of the Association will be located at such place within the County or the Town of Truckee as the Board may from time to time designate by resolution.

ARTICLE III

Membership

Section 3.01. Members of the Association. Every Owner of a Homesite within the Martis Camp common interest development shall be a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Homesite.

Section 3.02. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.01, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Homesite, the Owner's membership interest appurtenant to the Homesite shall automatically transfer to the Homesite's new Owner(s).

Section 3.03. Multiple Ownership of Homesites. Ownership of a Homesite shall give rise to a single membership vote in the Association. Accordingly, if more than one (1) person owns a Homesite, all of said persons shall be deemed to be one (1) Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. Any one (1) of the multiple Owners shall be entitled to vote the membership, unless the secretary of the Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one (1) of the multiple Owners attempts to vote the membership, the secretary of the Association or the inspector of elections, if

an inspector has been appointed pursuant to Section 7.05(e), below, shall be empowered to disqualify the vote of that membership.

Section 3.04. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the secretary in writing that he or she is qualified to be a Member under Section 3.01, above, and, if requested by the secretary, has provided the secretary with evidence of such qualification in the form of a duly recorded grant deed to the Homesite that give rise to the membership or a currently effective policy of title insurance for that Homesite. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written ballot and eligibility for voting set forth in Section 5.08, below.

ARTICLE IV

Membership Voting

Section 4.01. Classes of Membership. The Association shall have two (2) classes of voting Members, as well as a Class C power of designation held by the Declarant, all as more particularly provided in this Section 4.01:

(a) Class A Members. Each Owner of a Homesite, with the exception of the Declarant for so long as Declarant holds a Class B Membership, shall be a Class A Member of the Association. If a Homesite to which a Class A Membership is appurtenant is owned by more than one person, there shall be only one (1) vote with respect to that Homesite. In order for the Homesite to have its vote, each co-owner of such Homesite must be a Member in Good Standing, subject to the authority of the Board of Directors to suspend voting rights of any Member who is not in Good Standing.

(b) Class B Members. The Class B Member shall be the Declarant until the first to occur of the events specified in Section 4.02(c), below. As the Class B Member the Declarant is entitled to three (3) votes for each Homesite owned by the Declarant that is subject to Assessment. The Class B Member may, at any time, in its sole discretion give the Association written notice that the Class B Member wishes to reduce its director representation on the Association Board of Directors, which notice shall be accompanied by the written resignations of all or any of the Class B directors. The Declarant's Class B Membership shall be converted to Class A Memberships upon the occurrence of the first to occur of the events specified in Section 4.02(c), below.

(c) Class C Members. The Class C Member shall be the Declarant. The Class C Membership is not part of the Voting Power of the Association, but rather is a power held by the Declarant to designate persons to a majority of the seats on the Association's Board of Directors as provided in Section 4.02(d), below, during the term of the Class C Membership. The Class C Membership shall terminate upon the first to occur of the events specified in Section 4.02(d), below; provided, however, that the Class C Member may, at any time in its sole discretion, give the Association written notice that it wishes to eliminate its director representation on the Association Board of Directors, which notice shall be accompanied by the written resignation of the Class C director(s).

Section 4.02. Voting Rights of Classes.

(a) Members Entitled to Vote. Only Members of the Association who are in Good Standing, as defined in Section 1.04(c), above, shall be entitled to vote. The voting privileges of each class of Members shall be as provided herein. The tenants or lessees of an Owner who occupy a Residence within Martis Camp shall have no voting or membership rights in the Association, although a tenant or lessee can be the designated proxy holder for a Member in Good Standing.

(b) Class A Members. Class A Members shall have one (1) vote for each Homesite that the Member owns. A Class A Member who has sold his or her property to a contract purchaser under a contract of sale must delegate to the contract purchaser, by proxy, his or her membership rights in the Association. However, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold has been transferred to the contract purchaser.

(c) Class B Members. Declarant shall hold one Class B Membership for each Homesite owned by the Declarant until such time as those memberships must be converted to Class A Memberships as provided below. Each Class B Membership shall entitle the Declarant to cast three (3) votes on any matter requiring the vote or approval of the Members pursuant to the Governing Documents or by law. The Class B Membership shall cease and be converted to Class A Membership on the first to occur of the following three events:

(i) On the date when seventy-five percent (75%) of the Homesites approved in the specific plan or other governmental approval document for the Overall Development under the Tentative Subdivision Map for Martis Camp have been conveyed to Class A Members or sold to other developers;

(ii) On the fifth (5th) anniversary following the most recent conveyance to a Class A Member of the first Homesite in any Phase of the Overall Development under the authority of a Public Report; or

(iii) On the twenty-fifth (25th) anniversary of the first conveyance of a Homesite to a Class A Member in the Overall Development under the authority of a Public Report.

(d) Class C Members. The Class C Membership shall not be considered a part of the Voting Power of the Association. Instead, the Class C Membership is a power of designation that empowers the Declarant to designate a majority of the members of the Board of Directors for the period of time as specified in this subparagraph (d). The Declarant may hold the Class C membership concurrently with the holding of the Class B Memberships. The Class C Membership shall terminate upon the first to occur of the following events:

(i) On the date when the Declarant voluntarily relinquishes its Class C Membership by written notification to the Association specifically stating that the Declarant is relinquishing this right;

(ii) On the date when seventy-five percent (75%) of the Homesites authorized under the Tentative Subdivision Map for Martis Camp have been conveyed to Class A Members;

(iii) On the fifth (5th) anniversary following the most recent conveyance to a Class A Member of the first Homesite in any Phase of the Overall Development under authority of a California Department of Real Estate Public Report; or

(iv) On the date that is the twenty-fifth (25th) anniversary of the first conveyance of a Homesite to a Class A Member in the Overall Development under authority of a Public Report.

Those seats on the Board of Directors that are not filled by exercise of the Declarant's Class C power of designation shall be elected to office by the Class A and Class B Members. Notwithstanding the foregoing, the Class A Members shall be entitled to elect the number of Community Directors stated in Section 7.05(c)(i), below.

Upon termination of the Class C Membership, the Declarant shall continue to have the power to elect twenty percent (20%) of the members of the Board of Directors of the Association until the first to occur of the following:

(i) When ninety percent (90%) of the Homesites in the Overall Development have been conveyed to Class A Members;

(ii) On the fifth (5th) anniversary following the most recent conveyance of a Homesite to a Class A Member in any Phase of the Overall Development under authority of a Public Report; or

(iii) The twenty-fifth (25th) anniversary of the first conveyance of a Homesite to a Class A Member in the Overall Development under authority of a Public Report.

(e) Approval by Class A and Class B Members. As long as the Association has both a Class A and Class B membership, no action by the Association that must have the prior approval of the Members shall be deemed approved by the Members unless approved by the appropriate percentage of both classes of Members. With the exception of an action by the Owners to enforce bonded obligations pursuant to Section 3.11 of the Declaration, whenever any provision of these Bylaws or any other Governing Document of the Association requires the approval of a prescribed majority of the Voting Power of the Members "other than the Declarant", the intent of the quoted phrase is that the action be approved by the vote or written assent of a bare majority of the Class B Voting Power as well as the vote or written assent of the prescribed majority of the total Voting Power of Members other than the Declarant. After all the Class B memberships have been converted into Class A memberships, any such provisions shall be deemed to require the vote or written assent of a bare majority of the total Voting Power of the Association as well as the vote or written assent of the prescribed majority of the total Voting Power held by Members other than Declarant.

Section 4.03. Eligibility to Vote; Definition of Good Standing. Voting rights with respect to any Homesite shall not vest until such time as Regular Assessments have been levied with respect to that Homesite. In addition, only Members in Good Standing shall be entitled to vote at any membership meeting or by written ballot.

Section 4.04. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot; provided, however, that the voting in any election of directors shall be conducted by secret ballot. The vote on any other issue properly before a meeting of the Members shall be conducted by a show of hands unless at least ten percent (10%) of the Members present at a meeting and eligible to vote request that the vote be conducted by secret ballot. When a vote by secret ballot is required, the following procedures will apply:

(i) Voting shall proceed under supervision of an inspector or inspectors of elections in accordance with Section 7.05(e), below. The duly appointed and acting inspector(s) of election shall be in attendance at all times during the voting process. The inspector(s) shall have the right to determine the eligibility of all voters, issue all official ballots, determine the validity of proxies, and witness the casting and tabulation of the ballots.

(ii) Upon completion of the tabulation of ballots, the results shall be certified by the inspector of election to the Board and officially posted on Association bulletin boards within the Development or other appropriate locations in the Common Area. If the Association maintains a community broadcast channel or website, the results shall be posted on that channel or website.

(b) Voting by Written Ballot. In addition to voting in person or by proxy at a meeting, Member approval of any action requiring the vote or consent of the Members (other than the election of directors) may be solicited by written ballot in accordance with Section 4.06, below. The Board may also adopt electronic voting as a proper means of casting votes.

(c) Proxy Voting. Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Section 4.05, below.

(d) Cumulative Voting. In any election of directors in which more than two (2) positions on the Board are to be filled by vote of the Members, each Member in Good Standing shall be entitled to cumulate his or her votes so long as the procedural requirements for cumulative voting described in this subparagraph (b) are satisfied. When cumulative voting is authorized, Members may give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the Member is entitled or distribute the Member's votes on the same principle among as many candidates as the Member desires.

No Member shall be entitled to cumulate votes in an election unless: (i) at the election more than two (2) positions on the Board are to be filled by a vote of the Members; (ii) the candidate's or candidates' name(s) have been placed in nomination before the voting begins, and (iii) at least one Member who is in Good Standing and qualified to vote has given notice at the meeting, and before the voting has commenced, of the Member's intention to cumulate his or her votes. If any one Member has given such notice, all Members may cumulate their votes for those candidates whose names are in nomination and who are standing for election by the Members. Those candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected. These cumulative voting provisions are not intended to alter the

Declarant's obligation to refrain from voting in any election of Community Directors, as described in subparagraph (c)(i), below.

By virtue of the restrictions on cumulative voting rights imposed by this subparagraph and section 2792.19(b)(1) of the Regulations of the California Department of Real Estate, cumulative voting shall not be authorized in the election of directors until the first election following expiration of the Declarant's Class C Membership.

Section 4.05. Proxies.

(a) Proxies Generally. Any Member entitled to vote may do so either in person or by one (1) or more agents authorized by a written proxy signed by the Member and filed with the secretary of the Association. Any proxy shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Homesite as provided in Section 3.01, above.

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

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) Approval of contracts or transactions between the Association and one (1) or more of its directors, or between the Association and a corporation, firm or association in which one (1) or more of its directors has a material financial interest;
- (iv) Amendment of the Articles of Incorporation, these Bylaws or the Declaration;

(v) Action to change any Association Assessments in a manner requiring membership approval under the Declaration;

(vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;

(vii) Merger of the Association or an amendment to an agreement of merger;
and

(viii) Voluntary dissolution of the Association.

(d) Limited Proxies.

(i) Any form of proxy distributed to ten (10) or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one (1) or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference. Any instruction given in a proxy issued for an election that is subject to Civil Code section 1363.03 (i.e., an election of directors, a vote on assessments requiring Member approval, or a vote to amend the Governing Documents) that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the issuing Member's vote by secret ballot in accordance with Section 7.05(c), below.

(ii) In accordance with subparagraph (d)(i), above, proxies distributed in connection with the election of directors shall set forth the names of all individuals who are candidates for election of the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines opposite each candidate's name where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(e) Restriction or Elimination of Proxy Rights; Limitation on Authority. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the Voting Power of each class of Member represented and voting at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the Voting Power of Members by written ballot as provided in Section 4.06, below.

(f) Proxy Rules for Memberships Held by More Than One Person. Where two (2) or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by one (1) or more of such persons so long as no more than one (1) proxy is issued with respect to any single membership.

Section 4.06. Action by Written Ballot Without a Meeting.

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

(b) Written Ballots, Generally. Any matter or issue requiring the vote of the Members, other than the election of directors, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this Section are met. The determination to seek Member approval for Association actions in this fashion shall be made by a majority vote of the Board of Directors.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 5.08(a)(iii), below) and distribute a written ballot to every Member entitled to vote on the matter. This distribution shall be made consistent with the time requirements specified in subparagraph (d), below.

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

(d) Balloting Time Requirements. Written ballots shall be distributed to all eligible Members at least thirty (30) days prior to the final date the written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting solicitation materials accompanying the ballot and then for no more than two (2) successive periods of thirty (30) days each.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall only be valid if: (i) the number of votes cast by ballot within the time established by the Board for then return of ballots equals or exceed the quorum (as specified in Section 5.05, below), that would have been required to be present at a membership meeting if such a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of Section 5.04, below, pertaining to issuance of notice of Members' meetings. All solicitations of written ballots shall indicate: (i) the number of responses needed to meet the quorum requirement for valid action, (ii) the time by which the written ballot must be received by the Association in order to be counted, and (iii) the percentage of affirmative votes necessary to approve the measure.

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

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 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, the Board shall so notify the Members.

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

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

Section 4.07. Majority Vote of Members Represented at Meeting Required for Valid Action. At a meeting, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and voting on any matter (other than the election of directors) shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents of the Association. In the case of director elections, the candidates receiving the greatest number of votes, up to the number of directors to be elected, shall be elected to fill the vacancies.

ARTICLE V

Membership Meetings

Section 5.01. Place of Meeting. The meetings of the Members shall be held at the offices of the Association within the Development or at such other reasonable place (within the County or the Town of Truckee) and at such time as may be designated by notice of the Board of the meeting. Unless unusual conditions exist, meetings shall not be held outside of the County or the Town of Truckee.

Section 5.02. Annual Meeting. The first annual meeting of the Members shall be held not more than forty-five (45) days after the closing of the sale of the Homesite which represents the fifty-first (51st) percentile subdivided interest authorized for sale under the first Public

Report for the Development, but in no event shall the first meeting be held later than six (6) months after the close of escrow for the sale of the first Homesite. Thereafter, there shall be an annual meeting of the Members in the month of October of each year at a date, time and location set forth in the notice of the annual membership meeting.

Section 5.03. Special Meetings.

(a) Persons Entitled to Call Special Meetings. A majority of the Board, the president or five (5%) percent or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is called by Members, rather than being called by the Board of Directors or the president, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by first-class, certified or registered mail or by telegraphic or other facsimile transmission to the president, the vice president, or the secretary of the Association. Upon receipt of the Members' demand for a special meeting, the Board shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 5.04, below, 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 the Association fails to send the Members notice of the special meeting within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subparagraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the president.

Section 5.04. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Section 5.08, below.

(b) Time Requirements for Notice. The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this Section, not less than 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 Content of Notice. Notices of meetings of the Members shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present.

The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

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

(i) Removing a director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Section 7.06(g), below;

(iii) Amending the Articles of Incorporation of the Association, these Bylaws or the Declaration in any manner requiring approval of the Members;

(iv) Approving a contract or transaction between the Association and one (1) or more of its directors, or between the Association and any corporation, firm or association in which one (1) or more of its directors has a material financial interest;

(v) Approving any change in the Association's Assessments in a manner requiring membership approval under the Declaration; or

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

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

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

Section 5.05. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Section 4.06, above:

(i) Quorum for Votes on Certain Regular Assessment Increases; Certain Special Assessments; Certain Significant Board Actions. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on Assessment increases or Special Assessments requiring membership approval (see Article IV of the Declaration), or to vote on those matters requiring Member consent pursuant to Section 9.02(b), below, the quorum requirement for valid action on the proposal shall be a majority of the Members; and

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be twenty-five percent (25%) of the Members eligible to vote and represented in person or by proxy at the meeting. In the case of Member action that is taken by written ballot pursuant to Section 4.06, above, the quorum shall be established when written ballots have been received from twenty-five percent (25%) of the Voting Power of the Members within the time prescribed for the return of written ballots.

(b) Members Represented By Proxy. Members present at a membership meeting in person or by proxy shall be counted towards satisfaction of the quorum requirements specified herein.

(c) Effect of Departure of Members From Meeting. The Members 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 Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present may vote to adjourn the meeting for lack of a quorum but no other action may be taken or business transacted.

Section 5.06. Adjourned Meeting.

(a) Adjournment, Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than forty-five (45) days) by the vote of the majority of Members present at the meeting, either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action which might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding

the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each Member 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 with respect to any matters specified in Section 5.04(d), above, in which case, the waiver of notice or consent must state the general nature of the matter. All such waivers, consents or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such Member may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein pursuant to Section 5.04(d), above, if that objection is expressly made at the meeting.

Section 5.08. Record Dates for Member Notice, Voting and Giving Consents.

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

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

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

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

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

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

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

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

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, 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 Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

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

ARTICLE VI

Membership Rights

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

Section 6.01. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her family who also reside in the Member's Residence shall

be entitled to the use and enjoyment of all roads, Common Areas and Common Facilities within the Development.

Section 6.02. Tenants and Lessees.

(a) Assignment of Rights, Generally. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Residence. Such assignment shall only be effective so long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the Owner-lessor shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents.

(b) Effectiveness of Assignment. Assignment of an Owner's right to use the Common Facilities to a tenant or lessee shall not be effective until such time as the Owner-Member has given the general manager or the director of security written notice thereof setting forth the name of the assignee, the members of his or her family who will be entitled to the use and enjoyment of the roads, Common Areas and Common Facilities and roads within the Development by virtue of said assignment, and the duration of the visit.

Section 6.03. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the roads, Common Areas and Common Facilities within the Development, subject to the same obligations imposed on Owners and residents to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents, including traffic and safety rules. The Association Rules can impose greater restrictions or different sanctions for infraction of rules (particularly traffic, speeding and safety rules) on contractors, subcontractors and other commercial invitees of an Owner or resident, than on other classes of guests and invitees.

Section 6.04. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Declaration and in the Association's published rules and regulations as promulgated by the Board from time to time. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Area and Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in Article XIII of the Declaration. The Association shall not be empowered to cause an absolute forfeiture or abridgment of the right of a Member to the full use and enjoyment of any Common Area and Common Facilities of Martis Camp due to the failure by such person to comply with provisions of the Governing Documents except by judgment of a court or a decision arising out of arbitration or after a foreclosure or sale under a power of sale for failure of such person to pay Assessments duly levied by the Association. Members have the right to challenge certain Association rules or amendments to existing rules in accordance with Civil Code section 1357.140.

ARTICLE VII Board of Directors

Section 7.01. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civ. Code, §1350 et seq.) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by, the Association's Board of Directors. Subject to the limitations expressed in Section 10.04, below, the Board may delegate the management of the activities of the Association to the Association's General Manager and management staff (or a management company), committees appointed by the Board and to other persons; provided, however, 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. Without limiting the foregoing, the Board of Directors shall also have the power to engage the services of a management company.

Section 7.02. Number of Directors. The number of authorized directors of the Association shall begin at three (3) and shall expand to five (5) directors in accordance with the following progression:

(a) Until the first meeting of the Association's Members, the Board of Directors of the Association shall be appointed by the Declarant, its successors and assigns and shall consist of three (3) members.

(b) Thereafter, from the first annual membership meeting held in accordance with Section 5.02, above, the Board shall be expanded to five (5) members, which shall be the authorized number of directors until such time as the authorized number is changed by amendment of this Section of the Bylaws.

Section 7.03. Director's Terms of Office. Except as required below to implement a system of staggered terms for directors, the term of office for all directors shall be three (3) years. Until the later of the expiration of the Declarant's Class C membership or the close of escrow in the sale of the Homesite representing seventy-five percent (75%) of the total number of authorized Homesites in Martis Camp (the "conversion event"), directors' terms of office shall run concurrently. At the annual membership meeting next following the conversion event, the term of office for Association directors shall convert from concurrent to staggered terms with the initial term of office for the three (3) directors who receive the highest number of votes being three (3) years, and the term of office for the remaining two (2) directors initially being two (2) years. At each annual meeting thereafter the Members shall elect directors to replace those directors whose terms are then expiring and the directors so elected shall serve for a term of three (3) years and until their successors are elected and qualified. Except as otherwise provided in these Bylaws and the Declaration, the election of directors shall be conducted in accordance with the California Nonprofit Mutual Benefit Corporation Law.

Section 7.04. Nomination of Directors. Individuals can become candidates for election to the Board of Directors in either of the following ways:

(a) Candidates Selected by Nominating Committee. At least ninety (90) days prior to the date of any election of directors, the president shall appoint a Nominating Committee to select qualified candidates for election to those positions on the Board of Directors held by directors whose terms of office are then expiring. The Nominating Committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association who may or may not be Board members. The Nominating Committee shall make its report to the Board of Directors at least sixty (60) days before the date of the election. The report shall also inform the Board of any Members who have nominated themselves as candidates, pursuant to subparagraph (b), below. The Nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled and the secret ballot form that is sent to each Member shall identify those candidates who have been nominated by the Nominating Committee.

(b) Self-Nomination. In accordance with Civil Code section 1363.03(a)(3), any individual who is a Member in good standing shall have the right to place his or her name in nomination for election to the Board of Directors so long as the Member tenders written notice of the nomination to the Board of Directors at least sixty (60) days before the date of the election. Candidates who have nominated themselves shall be identified as such on the secret ballot that is distributed to each Member.

(c) Good Standing Requirement. In order to be eligible for nomination and election to the Board, the Association secretary must certify that the candidate-Member is a Member in good standing, as defined in Section 4.03, above.

Section 7.05. Conduct of the Election of Directors; Ballot Tabulation and Retention Requirements.

(a) Directors Elected at Annual Meeting. In accordance with Civil Code section 1363.03(e), the annual election of directors must be conducted using a double envelope balloting process that is described in subparagraph (c), below, however the results of the balloting and thus the deadline for voting shall be scheduled to coincide with the annual meeting of the Members. In order to be in compliance with the Civil Code secret balloting procedures, the secret ballots shall be mailed to every Member at least thirty (30) days prior to the date of the annual Membership meeting. It shall be permissible for the ballot to be organized so as to identify candidates nominated by the Nominating Committee and candidates who have self-nominated themselves.

The persons thus elected shall be selected from among those persons nominated in accordance with Section 7.04, above; provided, however, that if for any reason an annual meeting is not held or the directors are not elected in a secret balloting process that is scheduled to coincide with the date of the annual membership meeting, the directors may be elected at any

special meeting held for that purpose and the same balloting procedures shall be followed in that election.

In voting for directors, the Members may cumulate their votes in accordance with Section 4.04(d), above, and the candidates receiving the highest number of votes shall be elected as directors. The directors thus elected shall take office immediately following announcement by the inspector of elections of the results of the balloting. Each director, including a director elected to fill a vacancy or elected at a special Members' meeting, shall hold office until the expiration of the term for which the director has been elected and until a successor has been elected and qualified.

(b) Special Rule for Election of Director by Class A Members. Notwithstanding the provisions of Section 7.05(a), above, from the first election of the Board of Directors and thereafter for so long as the majority of the Voting Power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents on the Board (i.e., one (1) director in a three (3) or five (5) person Board) have been elected solely by the votes of Owners other than the Declarant. In order to satisfy this requirement, in the nomination process certain candidates having no affiliation with the Declarant shall be identified (or may declare themselves to be) the "property owner candidate" and if so designated or declared, the Declarant shall refrain from casting any votes for any property owner candidate for so long as this subparagraph (b) remains in effect.

(c) Use of Secret Ballots and Ballot Completion Requirements. In accordance with Civil Code section 1363.03, ballots used in the election of directors shall be secret ballots and the ballots, together with two preaddressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to every member not less than thirty (30) days prior to the deadline for voting. In order to preserve the confidentiality of the voter, the voter may not be identified by name, address, or Lot on the ballot. The unsigned ballot shall be inserted into an envelope that is sealed and this sealed envelope is, itself, inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, a space or lines shall be presented where the voter can print and sign his or her name, address and Lot number. The second envelope shall be addressed to the inspector or inspectors of election who shall tally the votes. The envelope containing the ballot may be mailed or delivered by hand to the location specified by the inspector inspectors of election (that location shall be stated in the balloting materials that are mailed to the Members). Any Member may request a receipt from the inspector of elections for delivery of his or her ballot.

(d) Determination of Election Results/Succession to Office. The candidates receiving the highest number of votes, up to the number of vacancies to be filled in the election, shall be elected as directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by random drawing.

(e) Supervision of Election Process; Appointment of Inspector(s) of Election. In order to insure secrecy of ballots and fairness in the conduct of director elections, the Board of Directors shall select an independent third party or parties to serve as the inspector(s) of election. The number of inspectors of election shall be one or three. For purposes of this subparagraph, an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a Member of the Association but cannot be a member of the Board of Directors or a candidate for election to the Board. An independent third party may not be a person who is currently employed or under contract to the Association for any compensable services unless expressly authorized in the Association Rules relating to election procedures (California Civil Code section 1363.03(a)). The person or persons appointed to serve as inspectors of election shall have the full powers of an inspector of elections appointed by the Board pursuant to Corporations Code section 7614. Without limiting the foregoing, the inspector or inspectors of election shall do all of the following:

- (i) Determine the number of memberships entitled to vote and the voting power of each.
- (ii) Determine the authenticity, validity, and effect of proxies, if any.
- (iii) Receive ballots. Sealed ballots shall at all times be in the custody of the inspector or inspectors of election or at a location designated by the inspector or inspectors until after the tabulation of the vote, at which time custody of the ballots shall be transferred to the Association.
- (iv) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- (v) Count and tabulate all votes.
- (vi) Determine when the polls close.
- (vii) Determine the result of the election.
- (viii) Perform any acts as may be proper to the conduct of the election with fairness to all Members and in accordance with the Association Rules pertaining to the conduct of elections and section 1363.03 of the Civil Code.

(f) Limitations on Association Election Activities. In accordance with Section 9.02(a)(v), below, the Association shall be prohibited from using Association funds for campaign purposes, as defined in said Section, although this prohibition shall not apply to communications disseminated pursuant to an Association Rule that is intended to comply with the requirement imposed by Civil Code section 1363.03(a)(1) that all candidates have equal access to Association media to communicate points of view that are reasonably related to the election.

(g) Requirements for the Counting and Tabulation of Ballots. The designated inspector or inspectors of election must count and tabulate the votes in public at a properly noticed open meeting of the Board of Directors or the Members. Any candidate or other Member of the Association may witness the counting and tabulation of the votes. No person, including a Member of the Association or an employee of the Association's management company, if any, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated.

(h) Announcement of the Results of the Election. The results of the election shall be promptly reported to the Board of Directors of the Association and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Association. Within fifteen (15) days of the election, the Board shall publicize the results of the election in a communication directed to all Members.

(i) Retention of Ballots. After tabulation, election ballots shall be stored by the Association in a secure place for no less than one year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by Association Members or their authorized representatives. In order to ensure that ballots are not tampered with or removed, entirely, the inspector of elections shall be entitled to be in attendance at any such inspection. In the event that a recount of the ballots is required, the recount shall be conducted in a manner that shall preserve the confidentiality of each Member's vote.

Section 7.06. Vacancies and Removal 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 or resignation of a director; (ii) the removal of a director pursuant to subparagraphs (c) and (d), below; (iii) an increase of the authorized number of directors; or (iv) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) Resignation of Directors. Except as provided in this subparagraph, any director may resign from office at any time and, except as provided in this subparagraph (b), the 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; provided, however, that if the resigning director was appointed to office by the Declarant and the Declarant continues to hold its Class C power of designation at the time of resignation, the vacancy shall be filled by the Declarant. If a director verbally resigns and refuses to confirm his or her act in writing, a report of the resignation can be included in the minutes of the next regular or special meeting of the Board and those minutes can serve as written confirmation of the resignation so long as the resigning director has been given proper notice of the meeting at which a report of the resignation is scheduled to be made (which notice shall list this action as an item for action) and

the director fails to appear at that meeting and rescind his or her action prior to the report being made and entered in the minutes.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California law and these Bylaws; or (iv) is more than thirty (30) days delinquent in the payment of Assessments (unless the director has paid the delinquent Assessments under protest (Civil Code section 1366.3) or is retiring the delinquency pursuant to a Board-approved payment plan). In exercising its discretion to remove a director for his or her failure to attend duly noticed meetings, the Board may consider in mitigation medical hardship, business travel or other factors. Any action to remove a director pursuant to this subparagraph (c) who was appointed to office by use of the Declarant's Class C power of designation must also be approved by the Declarant, unless the removal is occasioned by an event described in subparagraphs (i) or (ii) of this subparagraph (c).

(d) Authority of Members to Remove Directors. Except for directors who hold office by virtue of designation by the Declarant and except as otherwise provided in subparagraphs (c), (e), (f) and (h) of this Section 7.06, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members. Those directors who have been designated to office by the Declarant may only be removed from office by action of the Declarant. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the president, vice president or secretary of the Association that carries the signatures of Members in Good Standing who represent at least five percent (5%) of the Voting Power of the Members. To be valid, a recall petition must set forth a general statement of the reason(s) the Members are seeking the director's removal; the signature and Homesite number(s) of each petitioner in his or her own handwriting; the name(s) of the Members who are the principal proponents of the petition (i.e., the Members who have initiated the petition); and fulfill all other requirements required by law.

(ii) Within twenty (20) days after receipt of such petition, the Board shall either call a special meeting or announce the procedures for conducting a written ballot of the Members to vote upon the requested recall. Such meeting or written ballot shall be conducted not less than thirty-five (35) nor more than ninety (90) days after a valid recall petition is presented to the Association. If the Board fails to set a date for, and give the Members notice of, such meeting or written ballot within twenty (20) days, the Members initiating the petition may call a special meeting of the Members on their own initiative without Board approval or sanction by providing notice thereof to all Members in the manner provided in Section 5.04, above.

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

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

(e) Special Rule for Removal of Class A and Class C Directors. Except in the case of removal for cause pursuant to subparagraph (c), above, any Community Director elected to office solely by the votes of Class A Members may only be removed from office prior to expiration of the term for which the director was elected by the vote of at least fifty-one percent (51%) of such Class A Members. Upon removal of a Community Director, the vote to fill the vacancy shall be conducted in the manner described in Section 7.05(c)(i), above. The Declarant shall have the sole power and authority to remove any director who holds office as a result of the Declarant's exercise of its Class C power of designation.

(f) Protection of Cumulative Voting Rights. Unless the entire Board of Directors is removed from office, no director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being elected. This protective rule shall only apply when the directors targeted for recall were elected to office initially in an election in which cumulative voting was authorized and exercised.

(g) Filling of Vacancies.

(i) Filling of Vacancies Immediately Following Vote By Members to Remove; or at a Later Special Meeting. At any duly convened special meeting of the Members at which any director is removed pursuant to this Section 7.06, a successor or successors may then and there be elected to fill the vacancy created by the Members' action, so long as the candidates nominated from the floor are in Good Standing. In the alternative, the Members present at the meeting may determine a future date, time and location for a special meeting at which the election can be conducted, such meeting to occur no less than fifteen (15) days and no more than forty-five (45) days following the date of the adjourned meeting at which the recall vote was conducted.

(ii) Authority of the Board to Fill Vacancies. Except as provided in subparagraphs (iv) and (v), below, any vacancy occurring in the Board of Directors other than through removal of a director by a vote of the Members, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum or by a sole remaining Director, and any Director so chosen shall hold office until the next election of Directors when his successor is elected and qualified. Any newly created directorship shall be deemed a vacancy. Each Director so chosen shall hold office as provided for the filling of other vacancies. If by reason of death, resignation or otherwise, the Association has no Directors in office, any officer or member may call a special meeting of the Members for the purpose of electing the Board of Directors.

(iii) Filling of Vacancies Created When Director Resigns Prior to Commencement of Term. Should an elected Director fail to assume office by reason of death, disability or declination prior to the beginning date of the term to which elected, then the unsuccessful candidate in such election receiving the next highest number of votes shall be deemed elected in the place of the Member who, once elected, has declined to serve, and no further action of the Members shall be required.

(iv) Filling of Class C Director Positions. Should a vacancy occur in any office previously held by a director designated by the Declarant through the exercise of Declarant's Class C membership, the Declarant shall have the sole authority to appoint a successor to the vacancy so long as the Class C Membership is outstanding.

(v) Filling Vacancies When Section 7.05(c) Class A Voting Rights Remain In Effect. Should a vacancy occur in any office previously held by a director elected to office solely by the votes of the Class A Members pursuant to Section 7.05(c), above, Section 7.05(c) remains in effect at the time the vacancy occurs, and the vacancy occurs by reasons other than a vote of the Class A Members to remove the director, a special meeting of the Members must be called to fill the vacancy in accordance with the voting rules set forth in Section 7.05(c)(i), above.

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

ARTICLE VIII

Board Meetings

Section 8.01. Place of Meetings; Meetings by Conference Telephone. Regular and special meetings of the Board of Directors may be held at any place within the Development or the County or the Town of Truckee 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 above 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 members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting defined as an "emergency meeting" in Section 8.05(d), below, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting. Actions taken by the Board by means of a telephone conference call shall be posted in a prominent place within the Common Area in the same manner as actions taken by written consent pursuant to Section 8.10, below.

Section 8.02. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 8.03. Other Regular Meetings. Ordinarily, regular meetings shall be conducted at least quarterly. If the Board adopts an annual schedule for the conduct of regular meetings (such as a schedule that calls for regular meetings to be held at a specific time and location on the third Thursday of the first month of each quarter) and that schedule is communicated to all directors at the inception of the year, no further notice of a regular meeting shall be required unless the date, time or location for a particular regular meeting is changed for any reason, in which case, notice shall be provided to directors in accordance with Section 8.05, below. Quarterly meetings are required, among other reasons, to comply with Civil Code section 1365.5(a).

Section 8.04. Special Meetings of the Board. Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two (2) directors.

Section 8.05. Notice of Board Meetings.

(a) Minimum Time Requirements for Giving Notice to Directors. In the case of any special meeting of the Board, and if the Board has not fixed the time and location for regular meetings and provided each director with the schedule for the conduct of regular meetings, notice shall be communicated to each Board member not less than four (4) days prior to the date of the meeting; provided, however, that if the meeting qualifies as an emergency meeting (subparagraph (d), below) or is a special meeting that can be called in executive session (Section 8.06(c), below) the time for providing notice is forty-eight (48) hours prior to the meeting, unless notice is given by first-class mail in which case the four (4) day notice requirement remains in effect. Notice of a meeting of the Board need not be given to any director who has signed a waiver of notice or a written consent to the conduct of the meeting or an approval of the minutes of the meeting (whether before or after the meeting) or who attends the meeting without protesting, prior thereto or at the commencement of the meeting, the lack of notice to that director. All such notices shall be given or sent to the director's address, telephone number or email address as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any director who has signed 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 8.08, below.

(b) Manner of Giving Notice to Directors. Each director shall be entitled to receive notice of meetings by any one of the following means: by first-class mail, by personal delivery, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by facsimile, electronic mail, or other electronic means.

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

(d) Members' Right to Receive Notice of Board Meetings; Exception for Emergency Meetings. All Members of the Association shall be given notice of the time and place of all Board meetings (as defined in Section 8.06(a), below), except for "emergency meetings", at least four (4) days prior to the date of the meeting. This notice to the Members shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Member who has requested notification of Board meetings by mail (with the notice sent to the address requested by the Member). Notice may also be given by mail or delivery of the notice to each Homesite within the Development, or by newsletter or similar means of communication. For purposes of this Section 8.05(d), an "emergency meeting" of the Board means a meeting called by the president or by any two (2) members of the Board under 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 prior notice to the Members as required by the Open Meeting Act (see Section 8.06, below).

In addition to the foregoing general notice requirements for Members, if a particular Member or Members are scheduled for possible disciplinary action on the agenda for a Board meeting, the Board must notify the subject Member(s) in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the date of the meeting. Any such special notice of possible disciplinary action must contain, at a minimum, the date, time and location of the meeting, the nature of the alleged violation for which the Member(s) is/are being considered for disciplinary action, and a statement that the Member(s) has/ have a right to attend the meeting and address the Board concerning the disciplinary matter. That portion of the meeting must be conducted in executive session if requested by the Member who is subject to the disciplinary action.

Section 8.06. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the California Common Interest Development Open Meeting Act (Cal. Civ. Code, §1363.05):

(a) Meetings Generally Open to Members. With the exception of executive sessions of the Board (see subparagraph (b), below) and any meetings conducted by conference telephone, any member of the Association may attend meetings of the Board of Directors; provided, however, that non-director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting. For purposes of the Open Meeting Act, the term "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) Right of Members to Speak at Meetings. The Board of Directors shall permit any Member to speak at any meeting of the Members or of the Board of Directors, except for Board meetings that are held in executive session pursuant to subparagraph (c), below. Reasonable time limitations can be imposed by the Board or the chairman of the meeting on presentations or statements by Members and, in the case of Board meetings, the agenda for the meeting can designate a specific time for Member statements and comments.

(c) Executive Sessions. The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss: (i) litigation in which the Association is or may become a party; (ii) matters relating to the formation of contracts with third parties; (iii) Member discipline; (iv) personnel matters, (v) or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments, as specified in Section 1367.1 of the Civil Code. The Board must meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline and the Member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership.

(d) Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs in making that distribution.

Section 8.07. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 8.09, below. The Board Members and committee Members are not authorized to vote by proxy. 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, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law (particularly those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of directors). A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles of Incorporation or by law.

Section 8.08. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8.09. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

Section 8.10. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors.

If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three days after the written consents of all Board members have been obtained. If the Common Area is unsuitable for posting the explanation of the action taken, the Board shall communicate the explanation by any means it deems appropriate. Any written consent or consents of the Board shall be filed with the minutes of the proceedings of the Board.

Section 8.11. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

Section 8.12. Protocol at Board Meetings. At each meeting of the Board, the president, or if he or she is absent therefrom, the vice president, or if he or she is absent therefrom, a Director chosen by a majority of the Directors present, shall act as chairperson and preside over such meeting. The secretary, or if he or she is absent, the person (who shall be an assistant secretary, if any and if present) whom the chairperson of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

ARTICLE IX

Duties and Powers of the Board

Section 9.01. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Section 7.01, 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, (subject to any contractual commitments which may exist) 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. The Board shall

also have the power and authority to enter into a management contract with a management company.

(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 Declaration (see particularly Section 3.08 of the Declaration), governing the use of the Common Areas, the Common Facilities and roads within the Development, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Areas or Common Facilities; provided notice and a hearing are provided as more particularly set forth in Section 13.06 of the Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Homesites, Common Areas and Common Facilities and the roads within the Development.

(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 (see Article X of the Declaration).

(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 Common Areas or other portions of the Development that the Association is responsible for maintaining.

(h) Pay all taxes, Special Assessments and other Assessments and charges which are or would become a lien on any portion of the Common Areas.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Development which the Association is obligated to maintain, repair and replace and which have been damaged or destroyed and which are to be rebuilt.

(j) Delegate its duties and powers hereunder to the General Manager (see section 11.11, below), to officers of the Association or to committees established by the Board, subject to the limitations on committee powers and authority expressed in Section 10.04, below.

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

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

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Section 12.05, below.

(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, all as more particularly described in Section 7.04(a), above.

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

(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 the Members in common or the Association to protect the interests of the Members in common or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation.

(s) Enter Homesites as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common. (See Section 3.07(b) of the Declaration).

(t) The right, but not the obligation, to provide a street patrol, local transportation services, or other similar services, with the types, extent, nature and hours of patrol or transportation services to be determined from time to time by the Board. Any services provided or contracted by the Association pursuant to this subparagraph are not intended to replace, or to supplement, in any manner, governmental law enforcement, fire, safety services, other available community transportation services (if any), and no references herein to "security", "safety" or "patrol" shall be construed as a representation that the development offers enhanced or special security services.

Section 9.02. Limitations on Powers of the Board.

(a) Prohibited Actions. The Association is prohibited from taking any of the following actions:

(i) Denial of Access to Lots. Except as otherwise provided in law, or order of the court, or an order pursuant to a final and binding arbitration decision, the Association shall not deny an Owner or occupant physical access to his or her Lot, either by restricting access through the Common Areas to the Owner's Lots or by restricting access solely to the Owner's Lot.

(ii) Assignments or Pledges of Future Assessment Obligations. The Association may not voluntarily assign or pledge the Association's right to collect payments or assessments or to enforce or foreclose a lien to a third party except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or State law when acting within the scope of that charter or license as security for a loan obtained by the Association; however, the foregoing provision may not restrict the right or ability of the Association to assign any unpaid obligations of a former Member to a third party for purposes of collection.

(iii) Rules Unreasonably Restricting Sales. The Association shall not adopt a Rule or regulation that arbitrarily or unreasonably restricts an Owner's ability to market the Owner's Residence and Lot.

(iv) Exclusive Broker Relationships. The Association shall not establish an exclusive relationship with a real estate broker through which the sale or marketing of Lots is required to occur. This restriction does not apply to the sale or marketing of Common Areas owned by the Association.

(v) Use of Association Funds for Campaign Purposes. The Association shall be prohibited from using any Association funds for campaign purposes in connection with the election of directors. Funds of the Association may be used for campaign purposes in connection with any other Association election to the extent necessary to comply with duties of the Association that are imposed by law. For purposes of these limitations, "campaign purposes" include, but are not limited to: (A) expressly advocating the election or defeat of any candidate that is on the election ballot; and (B) inclusion of the photograph or prominently featuring the name of any candidate on a communication from the Association or its Board of Directors, excepting the ballot and ballot materials, within thirty (30) days of an election. This restriction shall not apply to any communication that is made in as part of an Association's efforts to ensure that all candidates are provided with access to Association media, newsletter, or Internet Web sites during a campaign, for purposes that are reasonably related to that election.

(b) Board Actions Requiring Member Approval. The Board shall not take any of the following actions except with the consent, by vote a meeting of the Association's Members or by a Member vote conducted by written ballot without a meeting pursuant to Corporations Code Section 7513 or any successor statute, of a simple Majority of a Quorum of the Members other than Declarant:

(i) Enter into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions:

(A) A management contract, the terms of which have been approved by the Federal Housing Administration or the Veterans Administration; provided, however, the term of the initial management agreement between the Association and the Declarant, or any subsidiary or affiliate of the Declarant, may be for a term of two (2) years, and may be renewed annually thereafter by the Board of Directors unless, within sixty (60) days prior to such renewal date, a majority of the Voting Power of the Association residing in Members other than the Declarant shall have voted against any further such automatic renewals.

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

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

(D) Lease agreements for laundry room fixtures and equipment (if any) of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest.

(E) Agreements for cable television services and equipment or satellite television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest.

(F) Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier(s) is/are not entities in which the Declarant has a direct or indirect ownership interest.

(G) Agreements for snow removal services and equipment of not to exceed three (3) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest.

(H) The Reciprocal Easement and Maintenance Agreement referred to in Section 7.01(b) of the Declaration.

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

(iii) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(iv) Pay compensation to members of the Board of Directors or the officers of the Association; provided, however, that directors and officers can be reimbursed for reasonable

out-of-pocket expenses, verified in writing, incurred in carrying on the business of the Association.

(v) Enter into a Homesite in a non-emergency situation unless the Owner is furnished with at least twenty-four (24) hours written notice, except in the case of an emergency as more particularly described in Section 3.07(b) of the Declaration.

(c) Members' Approval of Certain Actions Against the Declarant and Other Builders. In the event that any claim or other actions are brought by the Association under California Civil Code Section 895 et. seq., and any successor statutes or laws or any other applicable laws, involving allegations of construction defects relating to the Association Common Areas or Common Facilities is not resolved pursuant to the non-adversarial procedures set forth in California Civil Code Sections 910-938 (and any successors statutes or laws), the Association shall not initiate any further action or procedure against the Declarant without: (i) first participating in the arbitration procedures set forth in Section 13.06 of the Declaration; and (ii) if those arbitration procedures do not result in a full resolution of the claims, without first obtaining the consent of a majority of a quorum of the Owners.

ARTICLE X

Committees

Section 10.01. Standing Committees of the Board. The Association shall have the following standing committees which shall be appointed annually by the Board of Directors:

(a) Design Review Committee. This Committee shall not become a standing committee of the Association until such time as control of the Design Review Committee passes from the Declarant to the Association pursuant to Section 5.02 of the Declaration. The Design Review Committee will have the responsibility of reviewing all lot landscape plans, requests for new construction or alterations of existing structures within Martis Camp, all as more particularly provided in Article V of the Declaration. The Design Review Committee shall also prepare amendments to the Design Guidelines; provided, however, that once the Committee is under the sole jurisdiction and authority of the Association, adoption of any modifications or amendments to the Design Guidelines shall require the approval of the Board of Directors. The Design Review Committee shall perform other duties as may be set forth in these Bylaws or in the Declaration.

(b) Nominating Committee. The Nominating Committee shall function in accordance with Section 7.04(a), above. The Nominating Committee shall consist only of members in Good Standing, to be chosen as follows:

(i) The Board of Directors shall appoint the members of this committee. Other than the president, no director shall be eligible to serve as a member of this committee.

(ii) The president shall call the first meeting of the Nominating Committee to be held no later than four (4) months prior to the date set for election of officers by giving

written notice to each member of this committee seven (7) or more days prior to the date of such first meeting. A copy of such notice shall be posted on the Association bulletin boards and at the general office of the Association seven (7) or more days prior to the date of such first meeting. The chairperson of the Nominating Committee shall be elected at such first meeting by a majority vote of the committee members present.

(c) Covenants Committee. The Board has the authority to appoint a Covenants Enforcement Committee in accordance with Section 13.06 of the Declaration.

Section 10.02. Other Committees. In addition to the Design Review Committee, the Nominating Committee and the Covenants Enforcement Committee, the Board of Directors shall be authorized and empowered to appoint additional committees to assist the Board and management in the effective pursuit of the Association's business and affairs. Such committees, if appointed, shall be advisory to the Board and the scope of their authority shall be as stated in the resolution creating the committee. Only members in Good Standing may serve on Association committees.

Section 10.03. Organization of Committees. With the exception of the Design Review committee, it shall be mandatory, at the next regular Board meeting after election of the president, that the chairperson of the standing committees described in Section 10.01, above, be appointed by the president, with the advice and consent of the Board. The members of the Design Review Committee shall be appointed to office in the manner prescribed in Section 5.02 of the Declaration.

(a) Appointment of Committee Members. The chairperson of each committee shall select and appoint the other members of the committee from the membership at large, or in the chairperson's discretion, from among employees of Declarant, and the chairperson shall be empowered to appoint chairmen of the respective subcommittees which have been established by the Board.

(b) Composition of Committees; Terms of Service. Unless described differently herein or in the charter forming the committee, all standing committees described in Section 10.01 shall have not less than three (3) members. The terms for service of each member of a committee (other than the person designated by the president of the Association as chairperson) shall be two (2) years. The committee chairperson shall have the discretion to allow members to serve up to two (2) successive additional terms on the same committee. The limitation on the number of terms of service shall not apply to the committee chairperson. The above requirements shall apply to all committees with the following exceptions: those committees appointed by the President from time to time to serve a single and limited purpose, and the Nominating and Elections Committee which are specifically provided for in Sections 7.04 and 7.05 of these Bylaws.

Section 10.04. Powers of Committees. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter which, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or on any committee which has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new bylaws.

(d) Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or designate the members of those committees.

(f) 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 between the Association or any person in which one or more of its directors have a material financial interest.

Section 10.05. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII, above, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Unless otherwise provided in the Board resolution establishing the committee, minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

ARTICLE XI

Officers

Section 11.01. Officers. The officers of the Association shall be a president, a vice president, a secretary and a treasurer. The Association may also have, at the discretion of the Board, one (1) or more assistant secretaries, one (1) or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.03, below. Any person may hold two (2) or more offices, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 11.02. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 11.03 and 11.06, below, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual

meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 11.03. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 11.04. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 11.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 11.07. President. The president shall be elected by the Board from among the directors. He or she shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws. The president shall be the principal liaison between the Association and the Golf Club and shall endeavor to work constructively and cooperatively with the Golf Club board and management for the betterment of the Martis Camp community in general.

Section 11.08. Vice President. The vice president shall be elected by the Board from among the directors. In the absence or disability of the president, the vice president shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09. Secretary. The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The secretary shall keep, or cause to be kept, appropriate current records showing the Members of the

Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and he or she shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

Section 11.10. Treasurer. The Treasurer, who shall be the Association's chief financial officer, shall be elected by the Board from among the directors. The Treasurer shall: (a) keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the Development and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements; (b) deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board; (c) disburse the funds of the Association as may be ordered by the Board; (d) render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Association; and (e) have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. The books and records shall at all reasonable times be open to inspection by any director or Member. If required by the Board, the treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

Section 11.11 The General Manager. Unless the Board has retained the services of a third-party professional management company, the General Manager of the Association shall be in charge of the day-to-day operation of the Association. Unless the General Manager is an employee of a management company retained by the Association, the General Manager shall be hired by and serve at the pleasure of the Board of Directors. The General Manager shall be responsible for implementing the policies of the Association as established by the Board of Directors pursuant to, but not limited by, the Governing Documents. The duties of the General Manager include, but are not necessarily limited to the following:

(a) Establish an organization and a chain of employee responsibility to ensure that the Association's facilities function effectively and efficiently and best serve the interests of the Members, as a whole.

(b) Ensure that the annual operating budget is prepared in a timely manner for submission for approval by the Board of Directors.

(c) Recommend to the Board of Directors an annual Regular Assessment and, when appropriate, Special Assessment schedule in keeping with the proposed annual operating budget.

(d) With the prior approval of the Board of Directors, establish and keep current a wage and salary schedule for employees which will enable the Association to attract and to retain competent personnel.

(e) Present a monthly oral or, at the discretion of the Board of Directors, written statement regarding the Association's operations which will include but not necessarily be limited to the following topics: (i) the financial condition of the Association, (ii) the status of the Common Facilities, (iii) employee relations, and (iv) special projects, if any.

(f) Supervise the heads of the various operating departments of the Association and be responsible for the hiring and terminating of key employees of the Association's staff.

(g) See to it that the annual operating budget contains funds necessary for maintenance and repair of the Association's Common Areas and Common Facilities and the replacement of equipment which will enable the Association's Common Areas and Common Facilities to be maintained in good and acceptable condition. It shall be the responsibility of the General Manager to see to the timely distribution of budgets and other financial materials and periodic disclosure documents to the Members in accordance with Articles XII and XIII, below, and the Davis-Stirling Common Interest Development Act (California Civil Code section 1350, et, seq.).

(h) The General Manager shall have the authority to expend, without Board approval, up to Ten Thousand Dollars (\$10,000.00) per incident for repair of Common Facilities and other equipment and/or property of the Association. In the case of an emergency, the limit on the General Manager's authority is expressly waived, subject only to the General Manager's obligation to immediately notify the members of the Board of the increased expenditure and its purpose. The Board, in its sole discretion, shall establish such other spending limits for the General Manager for funds that may be spent without prior Board approval as the Board, in consultation with the General Manager, deems appropriate.

ARTICLE XII

Member Assessment Obligations and Association Finances

Section 12.01. Description of Assessments to Which Owners Are Subject. Owners of Homesites within the Development are subject to Regular, Special and Special Individual Assessments as more particularly described in Article IV of the Declaration.

Section 12.02. Checks. All checks or demands for money and notes of the Association shall be signed by the president or 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 or an officer (who is not also a director) and a director.

Section 12.03. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Development.

Section 12.04. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as more particularly set forth in Article IV of the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 12.05. Budgets and Financial Statements. The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

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

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

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 12.06, below, and Civil Code section 1365.5, which shall be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component of the Development which the Association is obligated to repair, replace, restore or maintain (collectively "Association Capital Projects");

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

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

(iii) A statement as to whether the Board of Directors has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefore; and

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

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the

Association's principal office and that copies will be furnished, upon request, to any Member at the Association's expense. This notice shall be presented on the front page of the summary in at least 10-point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail, within five (5) days.

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

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of cash flows for the fiscal year;

(iv) A statement advising Members of the place where the names and addresses of the current Members are located; provided, however, that the Association shall be entitled to limit access to the membership list in accordance with the California Corporations Code; 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) 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) per year.

The annual report shall be prepared in accordance with generally accepted accounting principles by a licensee of the State of California Board of Accountancy for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000). If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without an audit from the books and records of the Association.

(c) Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements distributed to the Members in accordance with this Article XII, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments including the recording and foreclosing of liens against Members' Homesites.

(d) Review of Accounts. On no less than a quarterly basis, the Board of Directors shall:

- (i) Review a current reconciliation of the Association's operating accounts;
- (ii) Review a current reconciliation of the Association's reserve accounts;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and

(v) Review the Association's income and expense statement for the operating and reserve accounts.

Section 12.06. Required Reserve Studies. At least once every three (3) years the Board of Directors shall cause a study of the reserve account requirements of the Development to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall also review any reserve study required hereunder on an annual basis and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required hereunder shall include the minimum requirements specified in Civil Code section 1365.5 or comparable successor statute.

ARTICLE XIII

Other Required Reports and Disclosures to Members

Section 13.01. Notification to Members Regarding Insurance Coverage Maintained by the Master Association.

(a) Scope of Required Summary Disclosures. In accordance with California Civil Code section 1365(e), within sixty (60) days preceding the beginning of the Association's fiscal year, the Association shall distribute to its Members a summary of the Association's property, general liability and earthquake and flood insurance (if any) containing the information described in subparagraph (b), below.

(b) Content of Annual Insurance Summary. The insurance summary required by subparagraph (a), above, shall include (i) the name of the insurer; (ii) the type of insurance; (iii) the policy limits of the insurance; and (iv) the amount of the deductibles, if any. In addition, the summary shall include the following statement in at least 10 point boldface type: "This summary of the Association's policies of insurance provides only certain information, as required by section 1365(e) of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice to the Association, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your Homesite, or personal injuries or other losses that occur within or around your Homesite.

Even if a loss is covered by the Association's insurance, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage." To the extent that any of the information that is required to be included in an annual insurance summary is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by providing its Members with a copy of the declaration page.

(c) Notification of Cancellation or Material Change in Policies. In addition to distributing the insurance summaries described in subparagraph (a) of this Section, if any of the policies described in the summary lapse or are canceled and are not immediately renewed, restored or replaced, or if there is a significant change in the policies, such as a reduction in coverage or limits or an increase in the deductible, then the Association shall, as soon as reasonably practical, notify its Members of the lapse, cancellation or significant change. This notice shall be sent by first-class mail. If the Association receives any notice of nonrenewal of a policy described in subparagraph (a) the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Section 13.02. Alternative Dispute Resolution (ADR) Disclosure. On an annual basis, the Board of Directors shall provide each Member with a summary of the alternative dispute resolution requirements set forth in sections 1369.510 – 1369.580 of the Civil Code (pre-litigation dispute resolution procedures) and sections 1363.810 – 1363.840 of the Civil Code (Association internal dispute resolution procedures). The summary shall include the following language: "Failure of a Member of the Association to comply with the alternative dispute resolution requirements of section 1369.520 of the Civil Code may result in the loss of your right to sue the Association or another Member of the Association regarding enforcement of the Governing Documents or the applicable law." This summary of alternative dispute resolution procedures shall be provided either at the time the budget required by Section 12.05, above, is distributed or in the manner specified in California Corporations Code section 5016.

Section 13.03. Statement of Outstanding Charges. Within ten (10) days following receipt of a written request by an Owner, the Association shall provide the Owner with a written statement setting forth the following information as of the date of the statement: (a) the amount of the Association's current Regular Assessment and Special Assessments (if any), and fees, (b) the amount and nature of any Assessments levied upon the Owner's Homesite which are unpaid on the date of the statement; (c) true and correct information regarding late charges, interest, and costs of collection which, as of the date of the statement are or may be made a lien on the Owner's Homesite which may be made a lien upon that Homesite in accordance with Civil Code section 1367, and (d) any change in the Association's current Regular and/or Special Assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date of the statement. The Association may impose a fee for providing the information stated in this Section 13.03, not to exceed the reasonable costs incurred to prepare and reproduce the requested items.

Section 13.04. 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 Member for

violation of any Governing Document or the Association Rules, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall distribute the schedule or policy to the Members 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 13.05 Annual Notice Regarding Assessments and Foreclosure. As required by Civil Code section 1365.1, the Association shall distribute to all Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year, the notice regarding Association assessment authority, foreclosure and other collection remedies that is set forth in subparagraph (b) of that Civil Code section. This notice shall be printed in at least 12-point type.

Section 13.06. Annual Notification of Members' Right to Receive Board Meeting Minutes. Members shall be notified in writing at the time that the pro forma budget required by Section 12.05, above, is distributed or at the time of any general mailing to the entire membership of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

Section 13.07. Notification to the Members of Rule Changes.

(a) Rule Changes Requiring Notification to Members. For purposes of this Section 13.07, a "rule change" is defined as any proposed action by the Board of Directors to adopt, amend, ore repeal an operating rule (i.e., any rule of general application) that pertains to any of the following subjects: (i) use of the Association Common Areas of the Development; (ii) use of a Lot (including, without limitation, the adoption or amendment of any Design Guideline; (iii) rule changes relating to Member discipline, including any action to adopt or amend a fine schedule or procedures for the imposition of penalties; (iv) any standards for delinquent assessment payment plans; (v) any procedures adopted by the Association for resolution of disputes; (vi) any procedures for reviewing and approving or disapproving a proposed physical change to a Member's Lot or Residence pursuant to Article V of the Declaration; and (vii) procedures for the conduct of elections; or (viii) any procedures adopted by the Association for resolution of Assessment disputes.

Specifically excluded from the definition of a rule change are the following: (i) a decision regarding maintenance of the Common Area; (ii) decisions on specific matters that are not intended to apply generally; (iii) decisions setting the amount of a Regular or Special Assessment; (iv) rule changes that are required by law if the Board has no discretion with respect to the substantive effect of the rule change; and (v) issuance of a document that merely repeats existing law or the Governing Documents.

(b) Required Notice to Members. The Board of Directors must provide written notice of a proposed rule change, as defined in subparagraph (a), above, to the Members at least thirty (30) days prior to making the rule change. The notice must include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change. Notice is not required under this subparagraph (b) if the Board determines that an immediate rule change is necessary to address an imminent threat to public health, or safety or imminent risk of

substantial economic loss to the Association. The decision on any rule change that is subject to these notice requirements shall be made by the Board at a duly noticed meeting that is open to the Members, after consideration of any comments made by the Members. As soon as possible after making a rule change (but in no event later than fifteen (15) days thereafter), the Board shall deliver notice of the rule change to every Member. If the rule change was an emergency rule change, the notice shall include the text of the rule change, a description of the purpose and effect of the rule change and the date that the rule change expires (emergency rules cannot remain in effect for more than 120 days). The notices required by this Section 13.07 may be given to the Members by any means permitted by Civil Code section 1350.7.

Section 13.08. Avoidance of Duplication in Reporting Requirements. To the extent one document distributed to the Members pursuant to Article XII or this Article XIII provides the information required in more than one (1) of the foregoing sections of this Article, any such requirements listed above may be satisfied by sending the Members the same document.

ARTICLE XIV Miscellaneous

Section 14.01. Inspection of Books and Records.

(a) Member Inspection Rights.

(i) Scope of Inspection Rights of Members. All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member. The Member who desires to inspect those documents must submit a written request for inspection to the Association and that request must state a reason for the requested inspection that reasonably related to the Member's interests in the Association. The accounting books and records and the minutes of proceedings of an Association, and any information contained in those records may not be used or sold for a commercial purposes or used for any other purpose that is not reasonably related to a Member's interests as a Member. Prohibited uses of the Association's membership list are set forth in Corporations Code section 8338 and the Association shall have the right, pursuant to Corporations Code section 8330 to offer a Member who is seeking access to the membership list an alternative method of achieving the Member's stated purpose without providing access to or a copy of the list, itself, so long as the Association presents its alternative method within ten (10) days following receipt of the Member's request.

(ii) Association's Right to Withhold Information. The Association has the right to withhold or redact information from the accounting books and records and the minutes of proceedings for any of the following reasons: (A) the release of the information is reasonably likely to lead to identify theft (i.e., the unauthorized use of another person's personal indemnifying information to obtain credit, goods, services, money or property); (B) the release of the information is reasonably likely to lead to fraud in connection with the Association; or (C) the information is privileged by law. However, except as provided by the attorney-client

privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors or contractors. Compensation information for individual employees shall be presented only by job classification or title, and not by use of the employee's name, social security number or other personal information.

(ii) Designation of Agent for Purposes of Inspection. A Member may inspect and copy those records that are open to Member inspection either in person or his or her duly appointed representative. If a Member designates another person to inspect and/or copy Association records that are open to Member inspect, that designation must be in writing.

(iii) Where Inspection Rights May be Exercised. The Association shall make the accounting books and records and the minutes of proceedings available for inspection and copying in the Association's business office within the Development or if there is no such office at a mutually agreeable location as established by the Association and the Member who requests the inspection; provided, however, that the Association has the right to satisfy the requirement to make the accounting books and records and the minutes of proceeding available for inspection and copying by mailing copies of the requested records to the Member by first-class mail within ten (10) days of receiving the Member's request.

(iv) Cost of Copies. The Association may bill the requesting Member for its actual, reasonable costs for copying and mailing requested documents so long as the Association informs the Member of the amount of the copying and mailing costs before sending the requested documents. Except as otherwise provided in subparagraph (iii), above and in section 1368 of the Civil Code (which obligates associations to provide certain information to requesting members), nothing in this subparagraph (iv) shall be construed to obligate the Association to make copies of requested documents or to organize or compile specific information or categories of information sought by a requesting Member under circumstances where the Association has made the information available for inspection and copying by the Member or his or her agent.

(b) Director Inspection Rights. Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents. All Directors should consider their fiduciary obligations to act in good faith and in a manner the director believes to be in the best interests of the Association in determining what use and/or dissemination is to be made of information obtained in the director's exercise of his or her inspection rights.

(c) Adoption of Reasonable Inspection Rules. The Board of Directors may establish reasonable rules with respect to (i) notice of inspection, (ii) hours and days of the week when inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by the Member.

Section 14.02. General Manager. The Board may, from time to time, employ the services of a general manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, in accordance with Section 11.11, above, the Board may

delegate to the general manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the general manager shall at all times remain subject to the general supervision and control of the Board.

Section 14.03. Corporate Seal. The Association shall have a seal in circular form having within its circumference the words "Martis Camp Community Association, Incorporated May 11, 2006, State of California."

Section 14.04. Roberts Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 14.05. Amendment or Repeal of Bylaws.

(a) Amendment Before Close of First Sale. Before the close of the first sale in the Development to a purchaser other than Declarant, these Bylaws and any amendments to them may be amended in any respect or revoked by the execution by Declarant and any Mortgagee of record of an instrument amending or revoking the Bylaws together with any consents or approvals that may be required by the California Department of Real Estate. The amending or revoking instrument shall make appropriate reference to these Bylaws and their amendments.

(b) Amendment After Close of First Sale. Except as provided in subparagraph (c), below, after the close of the first sale of a Homesite in the Development to a purchaser other than Declarant, these Bylaws may be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than fifty-one (51%) percent of the voting rights of each class of Members. If a two-class voting structure is no longer in effect in the Association because of the conversion of Class B membership to Class A membership, as provided in the Declaration, any amendment hereof will require the vote or assent by written ballot of both (i) fifty-one (51%) percent of the total Voting Power of the Association; and (ii) the vote of fifty-one (51%) percent of the total votes other than Declarant. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. Any vote to amend the Bylaws shall be conducted in accordance with the procedures pertaining to the use of secret ballots that are set forth in Section 7.05, subparagraphs (c) through (i), above.

(c) Amendment of Provisions Concerning Special Declarant Rights. The following provisions of these Bylaws which are for the express benefit of the Declarant may only be amended, modified, or deleted with the prior written approval of the Declarant: (i) any provision pertaining to Class B and/or Class C Membership rights; and (ii) Sections 9.02(c).

Section 14.06. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Association or the Board of Directors at the principal office of the Association

as designated from time to time by written notice to the Members; if to a director, at the address from time to time given by such director to the secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any Homesite within the Development owned by such Member.

Section 14.07. Indemnification of Agents.

(a) Indemnification by Association of Directors, Officers, Employees and Other Agents. To the fullest extent permitted by law, the Association shall indemnify its directors, officers, employees, and other agents described in Corporations Code section 7237, 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 that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a person described by that section. "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 Members. At that meeting, the Members 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 Members 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 person seeking indemnification under paragraphs (a) and (b) of this Section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

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

Section 14.08. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of

these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

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CERTIFICATE OF INCORPORATOR

The undersigned Incorporator of the Martis Camp Community Association hereby certifies that the above and foregoing Bylaws, consisting of 49 pages, were duly adopted by action of the Incorporator on May 11, 2006, and that they now constitute the Bylaws of the Association.

**MARTIS CAMP COMMUNITY
ASSOCIATION**, a California nonprofit
mutual benefit corporation

By: _____
Curtis C. Sproul, Incorporator