

THIRD RESTATED BYLAWS OF MOUNTAIN VALLEY ASSOCIATION

The name of this Association is Mountain Valley Association.

ARTICLE 1 GENERAL PROVISIONS

Section 1.1. The Association. Mountain Valley Association is a California nonprofit mutual benefit corporation. Mountain Valley Association may be referred to in these Bylaws as the "Association".

Section 1.2. Purpose of Bylaws and Location of Office. These Third Restated Bylaws (the "Bylaws") are made for the purpose of governing the affairs of the Association. The principal office of the Association shall be located in such location in the County of Kern, State of California, as the Board of Directors may designate from time to time.

Section 1.3. Articles of Incorporation. Articles of Incorporation or "Articles" shall mean the Articles of Incorporation of the Association filed with the California Secretary of State on November 13, 1969, as those Articles may be amended from time to time.

Section 1.4. Board of Directors. The "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

Section 1.5. Bylaws. "Bylaws" shall mean these Third Restated Bylaws of the Association, as they may be amended from time to time.

Section 1.6. Common Areas. Common Areas shall mean and include all of the land and real property described in and covered by the Map, including Lots 207 and 208, and all non-dedicated and dedicated but not accepted private streets and roads, equestrian trails, drainage easements and other easements as shown and depicted on the Map and described as Common Areas in the original Declaration, and all improvements and fixtures erected thereon, if any, except Lots 1 through 206 as shown and depicted on the Map. Title to the Common Areas shall be held by the Association for the common use, benefit, and enjoyment of the Association. The Common Areas shall not include residential Lots numbered 1 through 206, inclusive, as shown and described on the Map.

Section 1.7. Declarant. "Declarant" shall mean Dynasonics Corporation to the extent that it owned all or a portion of the Development.

Section 1.8. Declaration. "Declaration of Covenants, Conditions and Restrictions" or "Declarations of CC&Rs" or "Declaration" shall mean and refer to the Original Declaration. "Original Declaration" shall mean and refer to that certain Declaration of Covenants, Conditions and Restrictions executed on June 7, 1974 by Dynasonics Corporation referred to therein as the "Declarant" recorded on June 10, 1974 in book 4845, page 16, of the Official Records of the County Recorder of Kern County, California, together with all duly recorded amendments thereof.

Section 1.9. Development. "Development" shall mean all that land and real property located in Kern County, California, particularly described as Lots 1 through 208, inclusive, as shown on and so designated on that certain map entitled "Tract No. 3312", filed for record on April 13, 1972 in Book 23, pages 106 through 111, inclusive, of Maps in the Official Records of the County Recorder of Kern County, California.

Section 1.10. Governing Documents. "Governing Documents" shall mean these Bylaws, the Declaration, the Articles, and any Rules and Regulations of the Association as may be adopted or amended from time to time.

Section 1.11. Lot. "Lot" shall mean any of the residential lots of the Development designated on a Map, each of which is or may be improved with a dwelling. The Lots do not include the Common Areas. When Appropriate within the context of these Bylaws, the word "Lot" shall also include the Residence and other improvements constructed or to be constructed on the Lot.

Section 1.12. Map. "Map" shall mean that certain subdivision map entitled "Tract No. 3312", filed for record on April 13, 1972 in Book 23, pages 100 through 111, inclusive, of Maps in the Official Records of the County Recorder of Kern County, California.

Section 1.13. Member. "Member" shall mean an "Owner" of residential lot within the "Development" entitled to membership in the Association as provided herein. Each "Lot" shall entitle the "Owner(s)" to one membership. The rights, duties, privileges, and obligations of the Members shall be as defined, specified, exercised, and imposed in accordance with these Bylaws, the Declaration, the Articles, and any Association Rules which may be adopted by the Association. Unless the context otherwise requires, wherever the term "Member" is used in these Bylaws and the Declaration, it shall mean and refer to a member in good standing of the Association who is current in payment of all Assessments and Individual Charges levied or imposed with respect to that Member or that Member's Lot.

Section 1.14. Owner. "Owner" shall mean any person or entity holding a record title fee ownership interest in a Lot, including Declarant, and contract sellers. "Owner" shall not include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation.

Section 1.15. Rules. "Rules" or "Rules and Regulations" shall mean the rules and regulations, if any, promulgated by the Association to govern the possession, use, and enjoyment of the Development, as they may be amended from time to time.

Section 1.16. Incorporation by Reference. To the extent applicable and not inconsistent with the terms and conditions of these Bylaws, the provisions of the Declaration and the Articles are hereby incorporated in these Bylaws by reference, as though fully set forth herein. Unless specifically provided otherwise in these Bylaws, the terms defined in the Declaration shall have the same meaning when used in these Bylaws.

ARTICLE 2 MEMBERS AND MEETINGS OF MEMBERS

Section 2.1. Member. Every record title holder of a Lot within the Development shall automatically become a Member of the Association and shall remain a member thereof until such time as his or her ownership ceases for any reason at which time his or her membership in the Association shall automatically cease. The rights, duties, privileges, and obligations of Members shall be as defined, specified, exercised, and imposed in accordance with these Bylaws, the Declaration of CC&Rs, Articles, and any Association Rules which may be adopted from time to time Unless the context otherwise requires, wherever the term "Member" is used in these Bylaws and the Declaration of CC&Rs, it shall mean and refer to a Member in good standing of the Association who is current in payment of all Assessments and Individual Charges levied or imposed against that Member or that Member's Lot, and whose membership rights have not been suspended as a

result of any disciplinary proceeding conducted in accordance with these Bylaws and the Declaration of CC&Rs. The qualification for Membership in the Association, restrictions on transfer, and voting rights shall be as set forth in these Bylaws and the Declaration of CC&Rs.

Section 2.2. Regular Meetings. Regular meetings of the Association Members shall be held once each year in which Directors are to be elected, on the third Saturday of September at a time fixed in advance of the meeting by the Board, at a convenient location within the Development, or at a place as close thereto as possible as determined by the Board.

However, as such meeting date falls on a legal holiday, then the regular meeting of the Members may be held at the same time and at the same place on the first day following which is not a legal holiday, provided, however, that said regular meeting of Members shall, under all circumstances, always be held during the month of September.

Section 2.3. Special Meetings. Special meetings of the Association Members may be called at any time for the purpose of considering matters, which, by the terms of these Bylaws, the Articles of Incorporation, or the Declaration of CC&Rs, require the approval of all or some of the Members, or for any other lawful purpose. A special meeting of the Members shall be called by a majority of a quorum of the Board of Directors, or upon receipt of a written request therefore signed by Members representing five percent (5%) or more of the total voting power of the Association. If such special meeting is requested by the Members, the special meeting shall be held at a time and place fixed by the Board not less than thirty-five (35) nor more than ninety (90) days after the receipt of the written request for the meeting.

Section 2.4. Notice and Location of Meetings. Written notice of regular and special meetings of the Members shall be given to the Association by mailing a notice of meeting either by first class, registered, or certified mail, to each Member entitled to receive notice, not less than ten (10) nor more than ninety (90) days before the date of any meeting at which the Members are required or permitted to take any action; provided, however, that in the case of a special meeting called by the Members, such notice shall be given within twenty (20) days after receipt of the request to call a special meeting. The notice of meeting shall specify the place, date, and time of the meeting and on the case of a special meeting, the nature of the business to be transacted and no other business may be transacted, or on the case of a regular meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members; however, any proper matter may be presented at a regular meeting for such purpose. The notice of any meeting at which Director(s) are to be selected shall include the names of all nominees at the time notice was given. The Board of Directors shall specify the place of the meetings, which shall be at a convenient place within the Development, or as close as thereto possible.

Section 2.5. Special Notice Requirements. Any approval of the Members of the following actions, other than by unanimous approval of all Members, shall be valid only if the general nature of the proposed action was stated in the notice or in any written waiver of notice or consent to the holding of the meeting or approval of the minutes:

- (1) Removal of Director(s);
- (2) Filling of vacancies on the Board created by the removal of Director(s);
- (3) Approving a contract or other transaction in which a Director has a material financial interest;
- (4) Amendments of the Declaration of CC&Rs, the Articles, or these Bylaws; or
- (5) Plans for distribution of assets to Members in connection with dissolution of the Association.

Section 2.6. Quorum. The presence, either in person, or by proxy, at any meeting of the members having at least one-third (1/3) of the voting power of the Association shall constitute a quorum of Members. A quorum shall not be required for election of Directors.

If any meeting cannot be held because a quorum is not present, either in person or by proxy, the Members present, either in person, or by proxy, may adjourn the meeting to a later time on the same day or to a date and time not more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the total voting power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date for the adjourned meeting is fixed after adjournment of the original meeting, notice of the time and place of the adjourned meeting shall be given to the Members in the manner prescribed for regular meetings of the Members.

Section 2.7. Action Without Meeting. Any action which may be taken by the vote of Members at a regular meeting, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporations Code.

Section 2.8. Consent to Meetings. The transaction of any meeting of members however called and noticed, and wherever held, are valid as though had at a meeting duly held after proper call and notice, if a quorum is present, either in person, or by proxy, and if each member entitled to vote not present at the meeting signs a written waiver of notice or consent to the holding of the meeting or an approval of the minutes thereof, either before or after the meeting. All such waivers, consents, or approvals shall be filed with the Secretary or made a part of the minutes of the meeting.

Section 2.9. Membership Voting. At any meeting of the Members, every Member shall be entitled to cast one (1) vote for each Lot owned by the Member. Unless otherwise specifically provided in these Bylaws or the Declaration of CC&Rs, the affirmative vote of a majority of Members at any meeting duly called at which a quorum is present shall be the act and decision of the Members.

Section 2.10. Parliamentary Procedure. Robert's Rules of Order, Newly Revised, shall govern and apply at all meetings of the Association Members to the extent such rules are not in conflict with applicable law and the Governing Documents of the Association.

ARTICLE 3 POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall have those powers, rights and duties provided for in the Association's Governing Documents. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law and any limitations in the Governing Documents relating to action required to be approved by the Members, the Association shall be managed, and all Association powers shall be exercised by, or under the direction of, the Board of Directors.

ARTICLE 4 TERM OF OFFICE, ELECTION, AND REMOVAL OF DIRECTORS

Section 4.1. Number and Terms of Directors. The Board of Directors shall consist of five (5) Directors elected by the Association Members. Each Director shall be elected for a term of four (4) years commencing on the first day of January immediately following his or her election and shall serve until his or her death, resignation, or removal and until his or her successor is elected or appointed and qualified.

Section 4.2. Election of Directors. Directors shall be elected on the third Saturday of September in odd-numbered years.

However, as such date falls on a legal holiday, then the election of the Directors may be held on the first day following which is not a legal holiday, provided, however, that said regular election of Directors shall, under all circumstances, always be held during the month of September of each odd-numbered year.

Those Directors then in Office upon the adoption of these Third Restated Bylaws whose term of office ends during an even-numbered year shall have their term of office extended to the following odd-numbered year. Four years from the adoption of these Second Restated bylaws, this paragraph may be deleted from these bylaws without any further action of the Members or of the board of Directors.

Section 4.3. Qualification of Directors. To be eligible for nomination and election to the Board of Directors, a candidate-Member must be in good standing with the Association and current in the payment of assessments both at the time his or her name is placed in nomination and at the time of the election date. A candidate-Member must pledge to, if elected, uphold the policies of the Board and the Bylaws, Declarations and Rules of the Association, and to act in accordance with his or her obligations under law. Only one member per Lot shall be eligible to serve on the Board of Directors at any time. If a Director at any time for any reason ceases to meet the foregoing qualifications of a Director, his or her membership on the Board shall immediately terminate and the vacancy created thereby may be filled by the remaining Directors of the Association pursuant to the applicable provisions of these bylaws.

Section 4.4. Removal of Directors by Members. A Director may be removed from office with, or without cause prior to the expiration of his or her term by a vote of the Members, as follows:

- (1) Individual members of the Board of Directors or the entire Board may be removed from office at a regular or special meeting by a vote of Members holding a majority of the memberships present in person or by proxy and entitled to vote at an election of Directors.
- (2) A reduction in the number of authorized directors shall not remove any Director prior to the expiration of such Director's term of office.

Section 4.5. Removal of Directors by Board. The Board of Directors may remove a Director for cause prior to the expiration of his or her term and declare his or her office vacant if such Director: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by final order or judgement of any court to have breached any duty arising as a result of Corporations Code Section 7238 (relating to the standard of conduct of Directors); (iv) fails to attend without just cause three (3) consecutive meetings of the Board of Directors or four (4) meetings of the Board of Directors in any twelve (12) month period that have been duly noticed in accordance with California law and these Bylaws; or (v) fails or ceases to meet any required qualification of a Director under these Bylaws or Articles in effect at the beginning of such Director's term of office.

Section 4.6. Filling Vacancies.

- (1) A vacancy on the Board of Directors created by the removal of a Director by the Members shall be filled by the Members.
- (2) A vacancy on the Board of Directors created by reason other than removal of a Director by the Members shall be filled by a majority of the remaining Directors, whether or not less than a quorum. Or by a sole Director. The Members may elect a Director at any time to fill such vacancy not filled within a reasonable time by the Directors.
- (3) Each Director elected to fill a vacancy shall serve for the remainder of the term of the Director he or she replaces.

**ARTICLE 5
MEETINGS OF DIRECTORS**

Section 5.1. Regular Meetings. Regular meetings of the Board of Directors shall be conducted at least once during each calendar quarter at a time and place in the Development as may be fixed by the Board. If, in the judgement of the Board, a suitable meeting room is not available within the Development, the meeting may be held outside the Development in which case the place selected shall be as close as practical to the Development. Notice of the time and place of regular meetings shall be communicated to each Director, personally or by mail, telephone, or other means of communication, at least four (4) days prior to the day of the meeting and shall also be posted at a prominent place or places within the Common Areas.

Section 5.2. Special Meetings. A special meeting of the Board of Directors may be called by the President of the Association or by any two (2) Directors other than the President. Notice of the time and place of regular meetings shall be communicated to each Director, personally or by mail, telephone, or other means of communication, at least four (4) days prior to the day of the meeting and shall also be posted at a prominent place or places within the Common Areas.

Section 5.3. Emergency Meetings. An emergency meeting of the Board of Directors may be called by the President of the Association or by any two (2) Directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity makes it impracticable to provide notice as required by this Article. If the Board holds such an emergency meeting, an explanation of the reasons for the emergency meeting together with a description of the action taken, if any, shall be posted at a prominent place or places within the Common Areas and mailed to all Members by first-class postage pre-paid mail within three (3) following the emergency meeting, unless the action taken is a matter which the Board may deliberate and act upon in executive session.

5.4. Teleconference Meeting. The Board may meet and take actions by teleconference, or similar electronic communications, where a number of directors sufficient to establish a quorum of the board, in different locations, are connected by electronic means, through audio or video, or both. A teleconference meeting shall be conducted in a manner that protects the rights of members of the association and otherwise complies with the requirements of this act. Except for a meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that members of the Association may attend, and at least one director or a person designated by the board shall be present at that location. Participation by directors in a teleconference meeting constitutes presence at that meeting so long as all directors participating are able to hear one another, as well as members of the association speaking on matters before the board.

Section 5.5. Waiver of Notice. Notice of a meeting of the Board of Directors need not be given to any Director who has signed a waiver of notice or a written consent to the holding of such meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting at the earliest reasonable opportunity, the lack of notice to such Director. All such waivers, consents, and approvals shall be filed with the Secretary or made a part of the minutes of the meeting.

Section 5.6. Quorum Voting. The presence in person of a majority of the authorized number of Directors at a meeting of the Board shall constitute a quorum for the transaction of business. Unless a different vote is expressly provided for in the Association's Governing Documents, the vote of a majority of Directors present at a meeting held at which a quorum is present shall constitute the act and decision of the Board, provided, however, at any meeting of the Board of Directors at which only three (3) Directors are present, the unanimous vote of all three (3) Directors shall be required to constitute the act and decision of the Board.

Section 5.7. Adjournment. A majority of the Directors present whether or not a quorum is present may adjourn a meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjourned meeting shall be given to all Directors not present at the time of adjournment, and any such notice shall be in compliance with Section 5.1 of these Bylaws.

Section 5.8. Meetings Open to Members. Any member may attend board meetings, except when the board adjourns to, or meets solely in, executive session. As specified in subdivision (b) of Section 4090, a member of the association shall be entitled to attend a teleconference meeting or the portion of a teleconference meeting that is open to members, and that meeting, or portion of the meeting shall be audible to the members in a location specified in the notice of the meeting.

The board shall permit any member to speak at any meeting of the association or the board, except for meetings of the board held in executive session. A reasonable time limit for all members of the association to speak to the board or before a meeting of the Association shall be established by the board.

Section 5.9. Executive Session.

- (1) The board may adjourn to, or meet solely in, executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a member, upon the member's request, regarding the member's payment of assessments, as specified in Section 5665.
- (2) The board shall adjourn to, or meet solely in, executive session to discuss member discipline, if requested by the member who is the subject of the discussion. That member shall be entitled to attend the executive session.
- (3) The board shall adjourn to, or meet solely in, executive session to discuss a payment plan pursuant to Section 5665.
- (4) The board shall adjourn to, or meet solely in, executive session to decide whether to foreclose on a lien pursuant to subdivision (b) of Section 5705.
- (5) Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership.

ARTICLE 6 OFFICERS

Section 6.1 Enumeration and Term. The officers of this Association shall be a President, a Vice-President, a Treasurer, and a Secretary who shall, at times, be elected or appointed by the Board from the current Board of Directors. In addition, the Association shall have such other special officers as the Board may from time to time by resolution create. All officers shall serve at the pleasure of the Board. Each officer shall hold office for two (2) years unless he or she shall sooner resign, is removed, or otherwise becomes disqualified to serve, or until his or her successor is elected or appointed. All Officers must pledge to, if elected or appointed, uphold the policies of the Board and the Bylaws, Declarations and Rules of the Association, and to act in accordance with his or her obligations under law.

Section 6.2. Election of Officers. The election of officers shall take place at the first regular meeting of the Board of Directors in the year following an election of Directors.

Section 6.3. Resignation and Removal. Any Officer or Director may resign effective upon giving written notice to the Board, the President or Secretary, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation becomes effective at a future time, a successor may be elected or appointed immediately to take the office when the resignation becomes effective. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any officer may be removed from office by a vote of the Board of Directors at any time with or without cause.

Section 6.4. Filling of Vacancies. A vacancy in any office may be filled by election or appointment by the Board of Directors. The officer elected to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 6.5. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices which may be created pursuant to Section 6.1.

Section 6.6. President. The President shall be the chief executive officer of the Association and shall be subject to the control of the Board of Directors, have general supervision, direction, and control of the business and affairs of the Association. The President shall preside at all meetings of the Board of Directors and at all meetings of the Members. The President shall have such powers and duties as may be prescribed by these Bylaws, the Declaration of CC&Rs, or the Board of Directors. The President shall sign contracts, leases, mortgages, deeds and other written instruments on behalf of the Association and shall co-sign all checks and promissory notes.

Section 6.7. Vice-President. The Vice-President shall act in place of the President in the event of the President's absence, inability or refusal to act, and shall exercise such powers and discharge such duties as may be required of him or her by the Board of Directors.

Section 6.8. Secretary. The Secretary shall keep at the principal office of the Association copies of the Governing Documents of the Association as the same may be amended from time to time, the minutes of all meetings of the Board of Directors and of the Members, and copies of all reports and filings required by the Association to be made by law. The minutes of all meetings of the Board of Directors and of the Members shall, at a minimum, include the time and place of each meeting, whether regular or special, the notice given, the names of the Directors present at a Board meeting, the number of Members present in person or by proxy at a Members meeting, and the proceedings of each meeting. The Secretary shall give notice of all meetings of the Board and of the Members as required in these Bylaws and applicable law. The Secretary shall keep at the principal office of the Association a current membership register of all Members, showing the names and addresses of all Members. Upon request therefore, the Secretary shall promptly provide to any Member of the Association in writing the location and address of the principal office of the Association and any other address or location where the books and records of the Association are kept and maintained.

Section 6.9. Treasurer. The Treasurer, who may also be known as the Chief Financial Officer, shall receive and deposit in appropriate bank accounts all monies and funds of the Association and shall disburse such funds as directed by the Board of Directors. The Treasurer shall co-sign all checks and promissory notes of the Association and shall keep books of account and prepare or have prepared financial statements as required in the Declaration of CC&R's and applicable law.

ARTICLE 7 COMMITTEES

Section 7.1. Executive Committees. The Board of Directors may, by a majority vote of directors, designate two (2) or more of its members (who may also be serving as officers of this corporation) to constitute an Executive Committee and delegate to such committee any of the powers and authority of the board in the management of the business and affairs of the corporation, except with respect to:

- (1) The approval of any action which, under law or the provisions of these Bylaws, requires the approval of the members or a majority of all of the members.
- (2) The filling of vacancies on the board or on any committee which has the authority of the board.
- (3) The fixing of compensation of the directors for serving on the board or on any committee.
- (4) The amendment or repeal of Bylaws or the adoption of Bylaws.
- (5) The amendment or repeal of any resolution of the board which by its express terms is not so amendable or repeal able.
- (6) The appointment of committees of the board or the members thereof.
- (7) The expenditure of corporate funds to support a nominee for director after there is more people nominated for director than can be elected.

- (8) The approval of any transaction to which this corporation is a party and in which one or more of the directors has a material financial interest, except as expressly provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

By a majority vote of its members then in office, the board may at any time revoke or modify any or all of the authority so delegated, increase or decrease but not below two (2) the number of its members, and fill vacancies therein from the members of the board.

Section 7.2. Other Committees. The corporation shall have such other committees as may from time to time be designated by resolution of the Board of Directors. Such other committees may consist of persons who are not also members of the board. These additional committees shall act in an advisory capacity only to the board and shall clearly be titled as advisory committees.

Section 7.3. Conduct, Term, Minutes. All committees shall serve at the pleasure of the Board of Directors. All committee members must pledge to, if appointed, uphold the policies of the Board and the Bylaws, Declarations and Rules of the Association, and to act in accordance with his/her obligations under law. All committees shall conduct their meetings, business and affairs in the same manner and to the same extent that the Board of Directors is required to do so in accordance with these Bylaws and applicable law. All committees shall keep written minutes of their proceedings and report their proceedings to the Board of Directors and file their minutes with the Secretary of the Association.

ARTICLE 8 MANAGEMENT

Section 8.1. Membership Records. Membership records and accounts for assessments shall be maintained in accounting books and records of the Association in which there shall be an account for each Member. Each such account shall designate the name and address of each Member, the dates of levy and amounts of assessments owed, the amounts of assessments paid, and the balance of assessments due.

Section 8.2. Budget. The Board of Directors shall annually prepare, adopt, and distribute to the Members a pro-forma budget and other financial documents within the times and in the manner required under applicable law as specified in the Declaration of CC&Rs.

Section 8.3. Assessments. Each member shall pay regular and special assessments as provided in the Declaration of CC&Rs.

Section 8.4. Depositories. All assessments and other funds of the Association shall be deposited in such bank accounts and other depository accounts as shall be designated from time to time by the Board of Directors, provided, however, that all Association funds shall be deposited in accounts which are insured by an agency of the federal government.

Section 8.5. Use of Association Funds. Association funds shall be expended only for the purpose of paying those expenses and liabilities for which the Association is responsible under applicable law and the Association's Governing Documents. The withdrawal of Association funds from its bank accounts shall require the signatures of the President and the Treasurer, or two such other Officers as may be authorized by the Board of Directors.

Section 8.6. Financial Review. During a regular meeting of the Board of Directors, the Board shall do all of the following:

- (1) Review a current reconciliation of the association's operating accounts on at least a quarterly basis.
- (2) Review a current reconciliation of the association's reserve accounts on at least a quarterly basis.

- (3) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.
- (4) Review the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.
- (5) Review an income and expense statement for the association's operating and reserve accounts on at least a quarterly basis.

Section 8.7. Roberts Rules of Order. Meetings of the Members and the Board of Directors of the Association shall be conducted in accordance with Robert's Rules of Order, Newly Revised, to the extent such rules are not in conflict with these Bylaws, the Articles or the Declaration.

ARTICLE 9 AMENDMENT OF BYLAWS

Section 9.1. Amendment. These Bylaws may be amended only by the vote or written consent of a majority of the Members at a meeting at which a quorum is present, in person or by proxy, provided, however, that the percentage of voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes or written assents prescribed for action to be taken under that clause or provision.

ARTICLE 10 MISCELLANEOUS PROVISIONS

Section 10.1 Indemnity. To the maximum extent permitted by applicable law, each Director and officer of the Association shall be indemnified by the Association against all expense and liabilities, including attorney's fees reasonably incurred or imposed upon him or her by judgement or settlement in connection with any proceeding to which he or she may become involved, by reason of being or having been a Director or officer of the Association, except in case of fraud, gross negligence, or bad faith of the Director or officer in the performance of such Director's or officer's duties or exercise of powers.

Section 10.2. Compensation. Compensation of Directors shall be set by vote of the Members of the Association. Compensation of Officers and employees of the Association shall be set by resolution of the Board of Directors. The Board of Directors may authorize reimbursement of reasonable expenses actually incurred by a Director or Officer in carrying on the business of the Association.

Section 10.3. Corporation Seal. The corporate seal of the Association, if any, shall be in such form as the Board of Directors may determine, and shall contain the name of the Association and the date and state of its incorporation.

Section 10.4. Conflicts. In the event of any conflicts between the provisions of these Bylaws and the Declaration of CC&R's, the provisions of the Declaration of CC&Rs shall control. In the event of any conflicts between the provisions of these Bylaws and applicable law, the provisions of applicable law shall control.

Section 10.5. Fiscal Year. The fiscal year of the Association shall begin on the first day of July and end on the 30th day of June of each year.

Section 10.6. Association Books and Records. The books and records of the Association shall be made available for inspection by all Members during ordinary business hours upon the prior written request of a Member. Directors shall have the absolute right to inspect all books and records and property of the Association at all reasonable times. Upon request therefor, the Association shall promptly provide to any Member of the Association in writing the location and address of the principal office of the Association and any other address where the books and record of the Association are kept and maintained.