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SECOND RESTATED BY-LAWS OF
GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO**

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SECOND RESTATED BY-LAWS OF GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO

ARTICLE 1 NAME AND LOCATION

- 1.1 Name and Location. The name of the corporation is GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO, which is hereinafter referred to as the "Association." The principal office of the Association shall be located in Sacramento County, California.

ARTICLE 2 DEFINITIONS

- 2.1 Articles. "Articles" shall mean the Articles of Incorporation of Green Tree Homeowners Association of Sacramento, as they may be amended from time to time, and as filed with the Office of the Secretary of State of California.
- 2.2 Association. "Association" shall mean Green Tree Homeowners Association of Sacramento, its successors and assigns.
- 2.3 Board of Directors. "Board of Directors" or "Board" shall mean the governing body of the Association.
- 2.4 By-Laws. "By-Laws" shall mean the By-Laws of the Association as they shall be adopted by the Board of Directors and Members and any duly-adopted amendments thereof.
- 2.5 Common Area. "Common Area" shall mean all real property, excluding the Recreation Area, which is owned by the Association for the common use and enjoyment of the Owners and Residents of the Development. The Common Area owned by the Association at the time of the recording of the Declaration is described on Exhibit "B" attached to the Declaration.

- 2.6 Declaration. "Declaration" shall mean the Second Restated Declaration of Covenants, Conditions and Restrictions of Green Tree of Sacramento, recorded in the Office of the County Recorder of Sacramento County, California, and any amendments thereof.
- 2.7 Development. "Development" shall mean all the real property described in the Declaration comprising the Green Tree of Sacramento planned development, including such additions thereto as may hereafter be brought within the jurisdiction of the Association.
- 2.8 Governing Documents. "Governing Documents" shall mean the Articles, By-Laws, Declaration, and Rules, and the policies and resolutions adopted by the Board and distributed to the Members.
- 2.9 Lot. "Lot" shall mean any plot of land shown upon any recorded subdivision map of the Development upon which a Residence has been constructed, exclusive of any portion of the Common Area or the Recreation Area.
- (a) "Townhome Lot" shall mean any of the Lots described in Exhibit "C" attached to the Declaration.
- (b) "Individual Residence Lot" shall mean any of the Lots described on Exhibit "D" attached to the Declaration.
- 2.10 Member. "Member" shall mean each person or entity who is a record owner of a fee or undivided fee interest in any Lot within the Development, except any such person or entity who holds an interest in a Lot merely as security for the performance of an obligation. "Member" shall include both Class A Members and Class R Members as provided in Section 3.2.
- 2.11 Member in Good Standing. "Member in Good Standing" shall mean a Member of the Association whom the Board has determined to be not delinquent in the payment of all assessments, fines, penalties, and other charges imposed in accordance with the Governing Documents and who is in compliance with all of the provisions of the Governing Documents.

- 2.12 Owner. "Owner" shall mean the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Development, including contract sellers, but excluding contract purchasers and excluding those persons having such interest merely as security for the performance of an obligation.
- 2.13 Recreation Area. "Recreation Area" shall mean that certain parcel of real property which is owned by the Association for the common use and enjoyment of the members and which has been improved by the construction and installation of the Recreation Facilities.
- 2.14 Recreation Facilities. "Recreation Facilities" shall mean the improvements which have been constructed or installed on the Recreation Area for the recreational use and enjoyment of the Members.
- 2.15 Residence. "Residence" shall mean a residential structure located upon a Lot which is designed for human residential use and occupancy.
- 2.16 Resident. "Resident" shall mean any person who resides on a Lot within the Development whether or not such person is an Owner as defined in Section 2.12 above.
- 2.17 Rules. "Rules" shall mean the rules and regulations governing the use, occupancy, management, administration, and operation of the Development or any part thereof as adopted and published by the Board of Directors from time to time.

ARTICLE 3 MEMBERSHIP AND VOTING

- 3.1 Membership. Membership in the Association shall include, and shall be limited to, all Owners of any Lot located within the Development. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Upon becoming the Owner of a Lot, each Owner shall automatically be a Member of the Association and shall remain a Member until such time as his or

her Lot ownership ceases for any reason. Membership in the Association shall not be transferred, encumbered, pledged, or alienated in any way, except upon the transfer or encumbrance of the Lot to which it is appurtenant and then only to the transferee or mortgagee, as the case may be, of such Lot. Any attempt to make a prohibited transfer is void. Upon any transfer of title to a Lot including a transfer upon the death of an Owner, Membership in the Association shall pass automatically to the transferee.

3.2 Two Classes of Members. The Association shall have the following two classes of Membership:

(a) Owners of Townhome Lots. Those persons who own Townhome Lots shall be Class A Members.

(b) Owners of Individual Residence Lots. Those persons who own Individual Residence Lots shall be Class R Members.

3.3 Voting. Except as explicitly provided in Section 3.4 hereof, Members shall be entitled to cast one (1) vote for each Lot owned. In the event more than one (1) person owns a given Lot, the vote for such Lot shall be exercised as the Owners among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any Lot. If the joint Owners of a Lot are unable to agree among themselves as to how their vote or votes are to be cast, they shall lose their right to vote on the matter in question. If any Owner casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Lot. The vote at any meeting of Members may be by voice vote or by ballot.

3.4 Voting By Class R Members. Class R Members shall be entitled to vote only in elections of Directors, and on matters which relate to the Recreation Area, matters which relate to approval of assessments, when Member approval is required, matters which may be levied against Individual Residence Lots, matters which affect the Individual Lots and matters which affect their rights and privileges of Membership in the Association.

3.5 Delegation of Membership Rights. A Member who has sold his Lot to a contract purchaser shall be entitled to delegate to such contract purchaser his or her rights and privileges of membership in the Association and shall be deemed to have delegated to a contract purchaser who has assumed occupancy of the Member's Residence all rights of use and enjoyment of the Common Area. No delegation of any membership rights or privileges to a non-resident contract purchaser shall be binding, however, until the Board of Directors has been notified thereof in writing. Notwithstanding any delegation, until fee title to the Lot has been transferred of record, a contract seller shall remain liable for all assessments, fines, and other charges imposed by the Board and for compliance with the Governing Documents by all Residents of his or her Lot. Any Member who has leased or rented his or her Residence to another person or persons shall in all events be deemed to have delegated to his or her tenants all rights of use and enjoyment of the Common Area. It is the express purpose and intent of the provisions of this section to limit the right of use and enjoyment of the Common Area to Residents of the Development and their guests.

3.6 Record Date.

- (a) For the purpose of determining which Members are entitled to (i) receive notice of any meeting, (ii) vote, or (iii) act by written ballot without a meeting, the Board of Directors may fix, in advance, a "record date", which shall not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited. Only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot, as the case may be, notwithstanding any transfer of any membership on the books of the corporation after the record date, except as otherwise provided in the Articles of Incorporation or in the California Non-Profit Mutual Benefit Corporation Law.
- (b) Unless fixed by the Board,
 - (i) 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 the notice is waived, the business day preceding the day on which the meeting is held.

- (ii) 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) the record date for determining those Members entitled to vote by written ballot on proposed corporate 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.
- (c) For purposes of Section 3.6(b) a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

ARTICLE 4 MEETINGS OF MEMBERS

- 4.1 Annual Meeting. The Annual Meeting of the Members shall be held on the first Thursday of November of each year, at a time and place to be designated by the Board of Directors, upon proper written notice to all of the Members.
- 4.2 Special Meetings. Special Meetings of the Members may be called at any time by the President or by the Board of Directors or pursuant to the written request of Members entitled to cast at least five percent (5%) of the total voting power of the Membership.
- 4.3 Notice of Meetings. Written notice of each meeting of the Members shall be given by or at the direction of the Secretary or other person authorized to call a meeting, by mailing a copy of

such notice, postage prepaid, or by otherwise causing delivery of such notice to be made, at least ten (10) but not more than ninety (90) days before such meeting, to each Member entitled to vote at such meeting, such notice to be addressed or otherwise delivered to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice; provided, however, that in the case of a special meeting called pursuant to a written request of Members as provided in Section 4.2, notice of such special meeting shall be mailed or otherwise delivered within twenty (20) days after receipt of such written request by the Board, and the date of such special meeting shall be set by the Board and shall be not sooner than thirty-five (35) days nor later than ninety (90) days after the date of the Board's receipt of such written request. If notice is given by mail, but other than first-class, registered or certified mail, Notice shall be mailed not less than twenty (20) days before such meeting. Notice of any meeting of Members shall specify the date, hour, and place of the meeting, and the general nature of those matters which the Board intends to present for action by the Members. Notwithstanding the foregoing, any proper matter may be presented at the meeting for action by the Members; provided, however, that the only matters that may be acted upon at any meeting of Members which is actually attended, in person or by proxy, by less than one-third (1/3) of the total voting power of the Association are matters the general nature of which has been set forth in the notice of such meeting.

4.4 Proposal to be Stated in Notice. If action is proposed to be taken at any 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 states the general nature of the proposal(s):

- (a) removing a director without cause;
- (b) Filling vacancies on the Board of Directors by the Members;
- (c) Amending the Articles of Incorporation or the Declaration;

- (d) Approving a contract or transaction in which a director has a material financial interest; or
- (e) Approving a plan or distribution of assets, other than cash, in liquidation when the corporation has more than one class of membership outstanding.
- (f) Approving any change in assessment with respect to which approval of the membership is required.

4.5 Manner of Giving Notice.

- (a) Notice of any meeting of Members shall be given either personally or by first-class mail or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the corporation 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 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 where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.
- (b) An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the person giving the notice, and if so executed, shall be filed and maintained in the minute book of the corporation. Such affidavit shall constitute prima facie evidence of the giving of notice.

4.6 Conduct of Meetings. All meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt.

- 4.7 Place of Meetings. Annual and special meetings shall be held at a location within the Development, provided that the Board may designate, by resolution, a convenient place located as close as reasonably practicable to the Development.
- 4.8 Quorum. The presence at any meeting, in person or by proxy, of Members entitled to cast at least twenty-five percent (25%) of total voting power of the Members shall constitute a quorum for the transaction of any business, except as otherwise provided in the Governing Documents.
- 4.9 Proxies. At all meetings of the Members, each Member may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary. Every proxy shall be revocable. Any proxy duly executed is not revoked and continues in full force and effect until an instrument revoking it or a duly-executed proxy bearing a later date is filed with the Secretary of the Association; except that no proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specified therein the length of time for which such proxy is to continue in force, which in no case shall exceed three (3) years from the date of its execution; and provided further that a proxy shall automatically cease upon conveyance by the Member of his or her Lot.
- 4.10 Vote of the Members. If a quorum is present, in person or by proxy, the affirmative vote of a majority of the voting power so present and voting on any matter shall constitute the act of the Members, unless the approval of a greater number or proportion of Members is required by any provision of the Governing Documents or of law.
- 4.11 Adjournment. Whether or not a quorum is present, any meeting of Members may be adjourned from time to time to be reconvened on a later date, by the vote of a majority of the Members present in person or by proxy at such meeting; however, in the absence of a quorum, no business other than adjournment may be transacted.

4.12 Action Without A Meeting.

- (a) Any action which may be taken at a regular or special meeting, may be taken without a meeting of Members, if the Association distributes a written ballot to every Member entitled to vote. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association, which shall be a date not earlier than thirty (30) days after distribution of the written ballot to the Members.
- (b) Approval by written ballot shall be valid only when the number of votes cast equals or exceeds the quorum that would be required if the action were taken at a meeting, and the number of approvals equals or exceeds the number of votes that would be required to approve the action if it were taken at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.
- (c) The ballot solicitation shall identify both the number of responses needed to meet the quorum requirement and the percentage and/or number of approvals necessary to pass the measure submitted and shall specify the time by which the ballot must be received by the Association in order to be counted.

ARTICLE 5 BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

- 5.1 Number and Qualification of Directors. The affairs of this Association shall be managed by or under the direction of a board of nine (9) Directors. Only persons who are Members in Good Standing of the Association shall be eligible to be elected to the Board.
- 5.2 Election and Term of Office. Each Director shall serve a three-year term, with three Directors elected each year. Each Director shall serve until the expiration of his or her term and thereafter until a

successor is elected, or until the earlier disqualification, death, resignation, or removal of such Director.

- 5.3 Removal. Any Director may be removed from the Board, with or without cause, by the vote of a majority of the members voting at a meeting or by written ballot, provided the number of members voting shall be sufficient to constitute a quorum.
- 5.4 Compensation. No Director shall receive compensation for any service he or she may render to the Association as a Director. However, upon approval by the Board, any Director may be reimbursed for his or her expenses actually incurred in the performance of his or her duties.
- 5.5 Vacancies. A vacancy shall exist on the Board of Directors in the event of the death, resignation, or removal of any Director, or if the authorized number of Directors is increased, or if the Members fail to elect the full authorized number of Directors. A reduction in the authorized number of Directors shall not cause removal of a Director prior to the expiration of his or her term. The Board of Directors shall have the right to declare the office of a Director vacant if the Director is found by a court of competent jurisdiction to be of unsound mind or is convicted of a felony; if within sixty (60) days after receiving notice of election, he or she fails to accept such office, either in writing or by attending a meeting as a Director; or if he or she is absent from three (3) consecutive unexcused Board meetings.
- 5.6 Filling Vacancies. Any vacancy occurring on the Board of Directors may be filled by a vote of the majority of the remaining Directors, or by a sole remaining Director. A Director so chosen shall serve the remainder of the term of office of the Director whom he or she replaces. The Members may elect a Director at any time to fill any vacancy not filled by the Directors. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or, if the Board fails to act, the Members may elect a successor to take office when the resignation becomes effective.

ARTICLE 6 NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination.

- (a) At least 90 days before the date of any election of directors, the President shall appoint a nominating committee to select qualified candidates for election to the Board of Directors. The nominating committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association who may but need not be Board members. The nominating committee shall make its report at least 60 days before the date of the election. 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.
- (b) All nominations shall be made from among Members in Good Standing. The names of all persons known by the Board to be candidates for election to the Board shall be set forth in the Notice of the meeting at which the election is to be conducted.
- (c) Nominations may also be made from the floor during any meeting at which Directors are to be elected.

6.2 Election. At each election of Directors, the Members or their proxies may cast, in respect to each position on the Board to be filled, one vote for each Lot owned. The persons receiving the largest number of votes shall be elected. The method for voting for Directors shall be as set forth in Section 3.3 of these By-Laws.

ARTICLE 7 MEETINGS OF DIRECTORS

7.1 Organizational Meetings. Within thirty (30) days after each annual meeting of Members, the Board of Directors shall hold a meeting for the purpose of organization, election of officers, and transaction of other business, as appropriate.

- 7.2 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice to the Directors, at a place within the Development and on a day and at a time as fixed from time to time by resolution of the Board or, upon proper notice which conforms to the provisions of Section 7.4 of these By-Laws, at another place, day, and time as set forth in such notice. Should the date for any meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. In the event the Board should determine that the business to be transacted by the Board does not reasonably justify monthly meetings, then regular meetings of the Board shall be held at such intervals as the Board may determine, but not less frequently than quarterly.
- 7.3 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association or by any two Directors.
- 7.4 Notice to Directors. Except as otherwise provided in Section 7.2 of these By-Laws, notice of each meeting of the Board shall be communicated to the Directors not less than four (4) days prior to a regular meeting, and not less than seventy-two (72) hours prior to a special meeting; provided that shorter notice may be given in the case of a bona fide emergency; and provided further that notice of a meeting need not be given to any Director who signed a waiver of notice or a written consent to holding the meeting, whether before or after the meeting.
- 7.5 Notice to Members. Except for bona fide emergency meetings, as defined by law, at least four (4) days prior written notice of the day, time, and place of each meeting of the Board of Directors, whether regular or special, shall be given to all members by posting it in a prominent place or places within the Common Area, by mailing or delivery to each Residence, by newsletter or by similar means of communication reasonably designed to provide prior actual notice of such meeting.
- 7.6 Open Meeting. Regular and special meetings of the Board of Directors shall be open to all Members of the Association, and non-Director Members may participate in any deliberations or

discussions unless a majority of those Directors present at the meeting vote to terminate or limit such participation on any specific issue. The Board of Directors may, with the approval of a majority of the Directors present, adjourn a meeting and reconvene in executive session to confer with legal counsel or to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and matters that relate to the formation of contracts between the Association and others. The general nature of any and all business to be considered in executive session shall first be announced in open session. In any matter relating to the discipline of an Association Member, the Board shall meet in executive session if requested to do so by that Member, and that Member and any other persons whose participation is, in the judgment of the Board, necessary or appropriate shall be entitled to attend the executive session.

7.7 Quorum. A majority of the number of Directors then in office shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board.

7.8 Action Taken Without a Meeting. To the fullest extent permitted by law, the Directors shall have the right to take any action without a meeting under the following circumstances.

(a) If every Director signs a written waiver of notice of a meeting or approval of the minutes of a meeting or a consent to particular action, any action taken pursuant to the approval of a majority of the Directors shall be as valid as though taken at a meeting duly called, noticed and held. Any such written waivers, approvals and consents shall be filed with the official records and minutes of the proceedings of the Board.

(b) If all Directors give their unanimous written approval to any action, such action so approved shall have the same effect as though taken at a meeting duly called, noticed and held. Any such unanimous written approval shall be filed in the official minutes of the Board.

- (iii) In the case of a continuing violation where a Member fails to cease or remedy a violation after notice from the Board to do so, the Board may deem such continuing violation to constitute two or more separate and distinct violations of the same Governing Document provision and may impose separate and successive sanctions for each such violation; however, the Board shall not treat any such continuing violation as a separate and distinct violation and impose a separate sanction therefor more than once during any thirty (30) day period. It is the intent and purpose of this provision to authorize and empower the Board in exercise of its discretion to impose a monetary fine or other sanction against a Member for a continuing violation of the same Governing Document provision once during each successive thirty (30) day period, provided that each time the Board decides to impose a sanction, it shall provide the affected Owner with notice and an opportunity to be heard by the Board prior to the effective date of any such sanction. The Board may limit the scope of such hearing to facts and circumstances occurring subsequent to the previous Board hearing relating to the subject continuing violation;
- (d) Engage the services of a manager or management company as either an employee or an independent contractor, and engage such other employees or independent contractors as the Board may deem necessary, and to prescribe their duties;
- (e) Consult with, seek the advice of, and reasonably rely on the advice of attorneys, accountants, and other professionals in carrying out its authority and responsibility under the Governing Documents and the law, and to pay for such professional services;
- (f) Enter a Lot, when necessary, in connection with maintenance, repair, or replacement for which the

Association is responsible or which it is authorized to perform, provided that the Board shall provide the Lot Owner with reasonable prior notice, except that in the case of a bona fide emergency, notice shall be given as the exigencies of the situation reasonably permit;

- (g) Pay all real property taxes and assessments levied upon any property within the Development to the extent not separately assessed to the Owners. Provided that any such taxes are paid or that a bond insuring the payment is posted, such taxes and assessments may be contested or compromised by the Association prior to the sale or other disposition of any property to satisfy the payment of such taxes;
- (h) To the extent permitted by law, participate in mergers and consolidations with other non-profit organizations organized for the same purposes as this Association, provided that any such merger or consolidation shall be approved by the affirmative vote or written consent of at least two-thirds (2/3) of the total voting power of the Association;
- (i) Subject to any applicable provisions set forth in the Declaration, including any required approval of Members, acquire, own, hold, convey, transfer, dedicate, or otherwise dispose of real or personal property consistent with the purposes and powers of the Association and the management, administration, and operation of the Development or the business and affairs of the Association, and grant and convey easements, licenses, and rights of way in, over, upon, or under the Common Area;
- (j) Indemnify and hold harmless, to the maximum extent permitted by California law, each person who is or at any time was a director, officer, employee, or agent of the Association or member of any committee appointed by the Board from and against any and all claims, liabilities, expenses, judgments, fines, settlements, and other amounts, as those terms are defined by California law, actually and reasonably incurred by any such person, and

to which any such person shall become subject by reason of his or her being a director, officer, employee, or agent of the Association or member of any committee appointed by the Board;

- (k) Open bank accounts, designate signatories upon such bank accounts, and borrow money on behalf of the Association, subject to any restrictions set forth in the Governing Documents; and
- (l) Exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by other provisions of the Governing Documents, and undertake any action on behalf of the Association as the Board shall deem necessary or proper in furtherance of the purposes and powers of the Association and/or the interests of the Association and its Members.

8.2 Duties. It shall be the duty of the Board of Directors to:

- (a) Cause to be kept a complete record of all its acts and the corporate affairs, including an accurate and current record of the Members setting forth their names and addresses, adequate and correct books and records of account, and minutes of the proceedings of the Members, the Board, and Committees of the Board, and to present a statement thereof to the Members at the annual meeting of the Members;
- (b) Prepare and distribute to the Members annually, not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of each fiscal year, a pro forma operating budget which shall include all of the following:
 - (1) An estimate of the Association's revenue and expenses for such fiscal year on an accrual basis;
 - (2) A summary of the Association's reserves based upon the most recent review or study conducted pursuant

to law, which summary shall be printed in bold type and shall include all of the following:

- A. The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component the Association is obligated to maintain, restore, repair, or replace.
 - B. A current estimate, as of the end of the fiscal year for which the study is prepared, of the amount of cash reserves necessary to maintain, restore, repair, or replace such major components.
 - C. The current amount, as of the end of the fiscal year for which the study is prepared, of accumulated cash reserves actually set aside to maintain, restore, repair, or replace such major components.
 - D. The percentage of the amount of cash reserves necessary (per Subparagraph B, above) that is represented by the amount of cash reserves actually set aside (per Subparagraph C, above).
- (3) A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special assessments will be required to restore, repair, or replace any of the major components or to provide adequate reserves therefor; and
- (4) A general statement setting forth the procedures used for the calculation and establishment of reserves to defray the future cost of repair, replacement, or additions to those major components that the Association is obligated to maintain, restore, repair, or replace.

In lieu of the distribution of the pro forma operating budget, the Board may distribute a summary of such budget to all Members together with a written notice that the budget is available at the office of the Association or at another suitable location within the boundaries of the Development and that copies will be provided to a Member upon a Member's request and at the expense of the Association. If any Member so requests, the Association shall provide a copy of the pro forma operating budget to such Member by United States mail first-class postage prepaid, and such copy shall be mailed within five (5) days of such request. The written notice that is distributed to each Association Member as set forth herein shall be set forth in at least 10-point bold type on the front page of the summary of the budget;

- (c) At least once every three (3) years, cause a study of the reserve account requirements of the Association to be conducted if the current replacement value of the major components which the Association is obligated to maintain, restore, repair, or replace is equal to or greater than one-half of the gross budget of the Association for any fiscal year; and review such study annually and consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review;
- (d) Not expend funds designated as reserve funds for any purpose other than the maintenance, restoration, repair, or replacement of, or litigation involving the maintenance, restoration, repair, or replacement of, major components which the Association is obligated to maintain, restore, repair, or replace and for which the reserve fund was established; provided, however, that the Board may authorize a temporary transfer of money from a reserve fund to the Association's general operating fund to meet short term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the money will be repaid to the reserve fund, and provided, further,

that any such transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except as otherwise expressly provided by law;

- (e) Review the Association's operating and reserve accounts at least in accordance with the following minimum requirements:
- (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 keeps its operating and reserve accounts; and
 - (5) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

As used in this subsection, the term "reserve accounts" shall mean monies that the Board has identified in its annual budget for use to defray the future costs of repair or replacement of, or additions to, those major components which the Association is obligated to maintain, restore, repair, or replace;

- (f) For any fiscal year in which the gross income to the Association exceeds Seventy-five Thousand Dollars (\$75,000.00), distribute to all Members of the Association within one hundred twenty (120) days after the close of such fiscal year a review of the financial statements of the Association prepared in accordance with generally accepted

accounting principles by a licensee of the California State Board of Accountancy;

- (g) Distribute to the Members annually (i) a statement describing the Association's policies and practices in enforcing lien rights and other legal remedies for default in payment of assessments, and (ii) a copy of the procedures applicable to imposition of a fine or other monetary penalty, suspension of a Member's rights and privileges, or other sanction;
- (h) Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed;
- (i) As more fully provided in the Declaration, (i) send written notice to each Owner in advance of each fiscal year of the regular assessment levied against his or her Lot for that fiscal year; and (ii) collect assessments levied by the Association by foreclosing the lien against any property for which assessments are not paid as required in the Declaration and/or by bringing an action at law against the Owner personally obligated to pay the same;
- (j) Issue, or cause an appropriate officer to issue, upon demand by any proper person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (k) Procure and maintain adequate casualty, liability and other insurance on property owned by the Association, and other appropriate insurance, as follows:
 - (1) blanket fire insurance coverage on a special form basis and building ordinance coverage with agreed amount endorsement insuring all Townhome and Recreation Area structures and other improvements

(excluding pavements, underground and other items customarily excluded from coverage) on Townhome Lots and Recreation Area, and portions thereof, located within the Development, covering the full insurable replacement value of such improvements in the name of the Association for the benefit of all Owners;

- (2) liability insurance insuring the Association and its directors, officers and committee members against any liability to the public or to any Owner, their invitees or tenants incident to their occupancy and/or use of the Common Area or Recreation Area, with limits of liability to be set by the Board but in no event less than those set forth in California *Civil Code* section 1365.7, such limits and coverage to be reviewed at least annually by the Association and increased or decreased in its discretion;
- (3) workers' compensation insurance to the extent necessary to comply with any applicable laws;
- (4) standard fidelity bond covering all members of the Board of Directors and Officers of the Association and other employees of the Association in an amount which shall be determined by the Board of Directors; and
- (5) any other insurance deemed necessary or prudent by the Board of Directors of the Association.

Subject to the provisions of subsection 5.6 (c) (3) of the Declaration, the premiums for any insurance obtained by the Association shall be a common expense of the Association and shall be paid for out of the operating fund of the Association; provided however, that the amount of any deductible relating to any insurance obtained by the Association shall be borne by the Owner or Owners of any property affected by any loss covered by such insurance; and

- (l) Enforce the provisions of the Governing Documents, as more particularly set forth in the Declaration, and perform all acts required of the Board under the Governing Documents or required by law.

ARTICLE 9 OFFICERS AND THEIR DUTIES

- 9.1 Enumeration of Offices. The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary, and a Chief Financial Officer, and such other officers as the Board of Directors may, from time to time, by resolution appoint.
- 9.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors, following each annual meeting of the Members.
- 9.3 Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year, unless he or she shall sooner resign, be removed by the Board, or otherwise be disqualified to serve.
- 9.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.
- 9.5 Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
- 9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he/she replaces, subject to the Board's right to remove an officer.

- 9.7 Multiple Offices. The offices of Secretary and Chief Financial Officer 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 created pursuant to Section 9.4.
- 9.8 President. The President shall be the chief executive officer of the Association and shall, subject to control of the Board of Directors, have general supervision, direction, and control of the affairs and the other officers and the employees and agents of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board of Directors, shall have the general powers and duties of management usually vested in the office of the President of an Association, and shall have such other powers and duties as may be prescribed by the Board of Directors and the By-Laws, subject, however, to any limitations contained in the Declaration.
- 9.9 Vice-President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting, shall have all of the powers of, and be subject to all of the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as, from time to time, may be prescribed by the Board of Directors.
- 9.10 Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board of Directors may prescribe, a book of minutes of all meetings of Directors, Members, and Committees of the Board setting forth the time and place of holding of such meetings; whether regular or special, and if special, how authorized; the notice thereof given; the names of those present at Directors or Committee meetings; the number of memberships and votes present or represented at Members meetings; and all the proceedings thereof. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board of Directors required by the By-Laws or by law to be given and shall maintain a proper record of the giving of such notice. The Secretary shall keep the books, records, and documents of the Association including a current record of the names and addresses of all Members in safe custody, and shall

have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-Laws.

- 9.11 Chief Financial Officer. The Chief Financial Officer, who may also be known as the Treasurer, shall be responsible for the receipt and deposit in appropriate accounts of all monies of the Association and shall cause disbursement of such funds as directed by resolution of the Board of Directors; may sign all checks and promissory notes of the Association; shall keep proper books of account; shall cause an annual review of the Association's books and financial statements to be made by a public accountant at the completion of any fiscal year for which such review is required by law or as determined by the Board; shall assist the Board in preparation of an annual budget and a statement of income and expenditures to be presented to the Members of the Association as provided by law; and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors.

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 office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his possession or under his control on his death, resignation, retirement, or removal from office; provided, however, that in the event that the Association's general financial affairs have been delegated to a property management company or accountant, the Board, in its discretion may require the bond hereunder from such financial designee, rather than the Treasurer.

ARTICLE 10 COMMITTEES

- 10.1 Committees of the Board. A Committee of the Board is a committee consisting only of members of the Board of Directors. The Board may, by resolution adopted by a majority of the directors then in office, designate one or more Committees of the Board, each consisting of two or more Directors, to serve at the pleasure of the Board. Any such committee, to the extent provided in the resolution of the Board, shall have all the authority

of the Board, except that no committee, regardless of the board resolution, may:

- (a) Take any final action on matters which, under the Non-Profit Mutual Benefit Corporation Law of California, also require Members' approval.
- (b) Fill vacancies on the Board of Directors in any committee.
- (c) Amend or repeal By-Laws or adopt new By-Laws.
- (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 or the members of those committees.
- (f) Expend corporate funds to support a nominee for director after there are more people nominated for director than can be elected.
- (g) Approve any transaction (1) to which the corporation is a party and one or more directors have a material financial interest; or (2) between the corporation and one or more of its directors or between corporation or any person in which one or more of its directors have material financial interest.

10.2 Architectural Committee. The Board shall appoint an Architectural Committee, as provided in Article 7 of the Declaration, to perform the functions set forth in the Declaration.

10.3 Nominating Committee. The Board shall appoint a Nominating Committee, as provided in these By-Laws, to perform the functions set forth in Article 6.

10.4 Other Committees. In addition, the Board of Directors may appoint such other committees each consisting of Board members and/or non-Board members, as it deems appropriate, to assist the Board in carrying out the powers and purposes of the Association.

ARTICLE 11 BOOKS, RECORDS AND FUNDS

- 11.1 Record Keeping. The accounting books and records of the Association and the minute books of proceedings of the Members, the Board, and Committees of the Board shall, upon written request and during reasonable hours, be subject to inspection by any Member for any purpose, specified in writing, which is reasonably related to such Member's interest as a Member of the Association. The Governing Documents shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost. The Board may adopt and publish reasonable rules and regulations establishing procedures relating to a Member's inspection and obtaining copies of Association records.
- 11.2 Contracts. The Board of Directors may, by resolution, authorize any officer or officers to enter into any contract in the name of, or on behalf of, the Association. Unless expressly authorized by resolution of the Board, no officer shall have any power or authority to bind the Association by any contract or agreement, or to pledge the credit of the Association, or to render the Association liable for any purpose or on any account. No contract with any person or entity to supply or furnish the Association with goods or services shall be for a term in excess of one (1) year, except upon the prior affirmative vote or written consent of a majority of the Members; provided, however, that the foregoing shall not apply to (i) a contract with a public utility company, if the rates charged for the materials or services to be furnished are regulated by the California Public Utilities Commission, the term of which contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (ii) prepaid casualty and/or liability insurance policies not to exceed three (3) years' duration, which policy or policies shall permit short rate cancellation by the insured; (iii) lease agreements for laundry fixtures and equipment not to exceed five (5) years' duration; and (iv) agreements for cable television services and equipment not to exceed five (5) years' duration.

11.3 Checks, Drafts, and Evidences of Indebtedness. All checks, drafts, or other orders for payment of money, or notes or other evidences of indebtedness issued in the name of, or payable to, the Association shall be signed or endorsed by one or more officers of the Association and in the manner as specified by the Board of Directors; provided, however, that the signatures of at least two (2) persons who shall be members of the Board of Directors or one (1) member of the Board of Directors and one (1) officer who is not a member of the Board of Directors shall be required for the withdrawal of funds from the Association's reserve account.

11.4 Funds and Deposits. Any funds of the Association shall be deposited to the credit of the Association in government insured accounts in such banks or other depositories as the Board of Directors shall, from time to time, determine.

11.5 Fiscal Year. The fiscal year of the Association shall be as determined by resolution of the Board of Directors.

ARTICLE 12 AMENDMENTS

12.1 Amendments. These By-Laws may be amended by the affirmative vote or written consent of a majority of the total voting power of the Association.

ARTICLE 13 MISCELLANEOUS

13.1 Conflict. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

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**CERTIFICATE OF AMENDMENT OF
BY-LAWS OF
GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO**

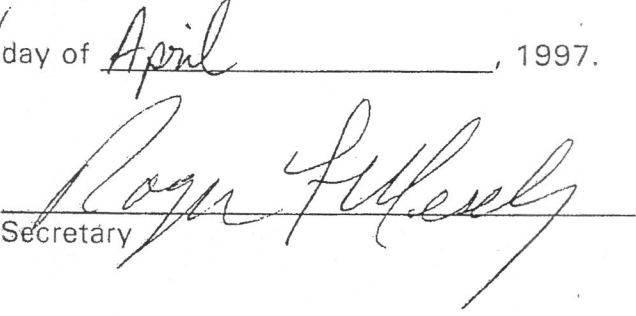
I, the undersigned, hereby certify that:

I am the Secretary of GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO.

The foregoing Second Restated By-Laws of GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO were duly approved by the Board of Directors on JAN. 30th, 1997.

The foregoing Second Restated By-Laws of GREEN TREE HOMEOWNERS ASSOCIATION OF SACRAMENTO were duly approved upon the affirmative vote or written consent of Members of the Association constituting at least a majority of the total membership of the Association on January 31, 1997.

Executed this 14th day of April, 1997.


Secretary