

BYLAWS
OF
GROSVENOR DOWNS HOMEOWNERS ASSOCIATION

ARTICLE 1. NAME AND LOCATION.

The name of the association is Grosvenor Downs Homeowners Association, a California nonprofit corporation, hereinafter referred to as the "association." The association shall be located in the subdivision in the unincorporated area of Placer County known as Grosvenor Downs Unit 1-3.

ARTICLE 2. DEFINITIONS.

The definitions of the terms contained in Article 1 of the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, for Units 1-3, recorded on December 3, 1987, Book Nbr. 3312, Page 524 through 550; August 10, 1988, Book Nbr. 3454, Page 645 through 661; November 8, 1988, Book Nbr. 3513, beginning on Page 303, in the office of the County Recorder of the County of Placer are incorporated by reference and shall apply to those same terms as they may appear in these Bylaws.

2.01. The "association" shall mean and refer to the Grosvenor Downs Homeowners Association, a California nonprofit mutual benefit corporation, its successors and assigns,

2.02. The "common area" shall mean and refer to all that portion of the property which is owned by the association for the common use and enjoyment of the owners,

2.03. The "declarant" shall mean and refer to Grosvenor Downs, A Joint Venture, a California general partnership, the present owner of the property,

2.04. The "declaration" shall mean and refer to the

declaration of covenants, conditions and restrictions applicable to the properties in the Office of the County Recorder in Placer County, California.

2.05. A "lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties.

2.06. A "member" shall mean and refer to a person entitled to membership as provided in the declaration.

2.07. An "owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is part of the properties. If a lot is subject to a recorded Land Sale Installment Contract, "owner" shall mean and refer to the contract vendee. "Owner" shall exclude those holding any such interest merely as security for the performance of an obligation.

2.08. The "property" or "properties" shall mean and refer to that certain real property described in the declaration of covenants, conditions and restrictions. The property is a "planned development" as defined in California Civil Code Section 1351 (k).

ARTICLE 3. MEETINGS OF MEMBERS.

3.01. Place of Meeting. All meetings of members shall be held at a location within the properties or, if there is no suitable location within the properties, at the nearest available and appropriate meeting place, specified in the notice calling the meeting. Unless unusual conditions exist, members meetings shall not be held outside of the county in which the properties are located.

3.02. Annual Meetings. Annual meetings of Grosvenor Downs Homeowners Association will be determined by a vote of the Members. Subsequent regular meetings shall be held during the same month of each year thereafter. If the day for the annual meeting of the members is a legal holiday, the meeting will be held on the first day thereafter which is not a legal holiday.

3.03. Special Meetings. A special meeting of the members shall be promptly scheduled by the board in response to: (a) the vote of the board itself; or (b) the written request for a special meeting signed by members representing at least five percent (5%) of the total voting power of the members. If a special meeting is called by any such person(s) other than the board, the request shall

be submitted by such person(s) in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president or the secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the members entitled to vote, in accordance with the provisions of Section 3.04 that a meeting will be held, and the date for such meeting, which date shall be not less than ten (10) nor more than ninety (90) days following the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection 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.

3.04. Notice of Meetings. All notices of meetings of members shall be sent or otherwise given in accordance with this section not less than ten (10) or more than ninety (90) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting, and (a) 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 (b) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the members.

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. Approving a contract or transaction in which a director has a material financial interest,
- D. Approving a plan of distribution of assets,

Notice of annual and special meetings of members shall be given 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. Personal delivery shall be deemed accomplished by delivery of the notice, without mailing through the U.S. Postal Service, to the address of the member appearing on the books of the association or given to the association for the purpose of notice. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

An affidavit of the mailing or other means of giving any notice of any members' meeting may be executed by the secretary, assistant secretary, or any other party of the association giving the notice, and if so executed, shall be filed and maintained in the minute book of the association.

3.05. Quorum. The presence at a duly noticed meeting of members entitled to cast, or of proxies entitled to cast, a simple majority of the votes of the total voting power of the association shall constitute a quorum for any action except as otherwise provided in the articles of incorporation, the declaration or these bylaws. The members present 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.

3.06. Adjourned Meeting. If a quorum is not present or represented at any meeting, the members entitled to vote thereat shall have the power only to adjourn the meeting to another time not less than five (5) or more than thirty (30) days thereafter without notice other than announcement at the meeting. The quorum for the adjourned meeting shall be twenty-five (25%) of the votes of the total voting power of the association. If a time and place for the adjourned meeting is not fixed and announced at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

3.07. Voting. The membership and voting rights provisions contained in Article VI of the Declaration are incorporated by reference herein.

3.08. Action by Written Ballot Without a Meeting. Any action that may be taken at any meeting of the members may be taken by written ballot if the following requirements are satisfied:

A. The association distributes a written ballot to each member entitled to vote on the matter. The ballot shall be sent by first-class, registered or certified mail addressed to the member at the address of such member appearing on the books of the association or given by the member to the association for purpose of notice. The ballot shall provide a reasonable time within which to be returned. If ballots are distributed to ten(10) or more members and the association has one hundred (100) or more members, the requirements of California Corporations Code Section 7514, as set forth in Section 3.12 of these bylaws, shall be satisfied.

B. Each ballot shall set forth: (1) the proposed action; (2) an opportunity to specify approval or disapproval of any proposal; (3) the time by which the ballot must be received by the association in order to be counted; (4) the number of responses needed to meet the quorum requirement; and (5) the percentage of approvals necessary to approve the proposed action.

C. The proposed action shall be considered approved by written ballot if (1) within the time period specified the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and (2) the number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

3.09. Proxies. Every person entitled to vote shall have the right to do so either in person or by one or more agents authorized by written proxy, signed by the person and filed with the secretary of the association. A proxy shall be deemed signed if the member's name is placed on the proxy by manual signature by the member or the member's attorney in fact.

A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (a) revoked by the member executing it, before the vote cast pursuant to that proxy, by a writing delivered to the association stating that the proxy is revoked or by a subsequent proxy executed by such member, or by personal attendance and voting at a meeting by such member, or (b) written notice of the death or incapacity of the maker of the proxy shall be received by the association before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of the California Nonprofit Mutual Benefit Corporation Law.

A proxy is not revoked by the death or incapacity of the maker or the termination of a membership as a result thereof unless, before the vote is counted, written notice of the death or incapacity is received by the association.

3.10. Form of Proxy or Written Ballot. Any form of proxy or written ballot distributed by any person to the membership of the association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the board be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

In any election of directors, any form of proxy or written ballot that 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, shall not be voted either for or against the election of a director.

ARTICLE 4. ELECTION OF DIRECTORS.

4.01. Nominations and Solicitations for Votes. Any director or member may nominate candidates for directorships at least fifteen (15) days before the date of the election, and the secretary shall forward to each member, with the notice of the meeting required by Section 3.05, a list of candidates nominated. Any member present at a meeting where a director is to be elected may in person or by proxy, place names in nomination for directorships.

4.02. Use of Association Funds to Support Nominee. No association funds may be expended in support of a nominee for director.

4.03. Vote Required to Elect Director. Candidates receiving the highest number of votes shall be elected as directors.

ARTICLE 5. DIRECTORS.

5.01. Powers and Duties. Subject to any limitations in the articles of incorporation, the declaration and these bylaws relating to action required to be approved by the members, the business and affairs of the association shall be managed, and all corporate powers shall be exercised, by or under the direction of the board of directors.

A. Specific Powers. Without prejudice to their general powers, and subject to the same limitations, the directors shall have the power to exercise for the association all powers, duties and authority vested in or delegated to this association and not reserved to the membership by other provisions of these bylaws, the articles of incorporation or declaration.

B. Duties. It shall be the duty of the board of directors to:

- (1) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting prior to which such statement has been requested in writing by one-fourth of the members.
- (2) Supervise all officers, agents and employees of the association, and to see that their duties are properly performed;
- (3) Procure and maintain liability and hazard insurance;

(4) Not less frequently than quarterly, do the following: (a) cause a current reconciliation of the association's operating accounts to be made and review the same; (b) cause a current reconciliation of the association's reserve accounts to be made and review the same; (c) review the current year's actual reserve revenues and expenses compared to the current year's budget; (d) review the most current account statements prepared by the financial institution where the association has its operating and reserve accounts; and (e) review an income and expense statement for the association's operating and reserve accounts.

5.02. Number and Qualification of Directors. The authorized number of directors shall be three (3).

5.03. Election and Term of Office of Directors. The entire board shall be elected at the first meeting of the association. At each annual meeting thereafter, the members shall elect three (3) directors for a term of one year. Each director, including a director elected to fill a vacancy, shall hold office until expiration of the term for which elected and until a successor has been elected and qualified.

5.04. Removal of Director. Subject to the restrictions stated hereinbelow, any or all directors may be removed without cause if such removal is approved by a vote of the members; provided, however, if the association has fewer than fifty (50) members, such removal must be approved by the majority of all members. If a director is removed, his successor shall be elected at a special meeting of the members, and the provisions set forth in Sections 4.01 through 4.03 shall apply.

5.06. Vacancies. A vacancy or vacancies in the board of directors shall be deemed to exist on the occurrence of the following: (a) death, resignation or removal of any directors; (b) the declaration by resolution of the board of directors of a vacancy of the office of a director who has been declared of unsound mind by an order of court or convicted of a felony or has been found by final order or judgment of any court to have breached a duty under Section 7230 and following of the California Mutual Benefit Nonprofit Corporation Law; (c) 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, to elect the number of directors to be elected at such meeting; (d) the increase of the authorized number of directors.

Except as provided in this paragraph, any director may resign, which resignation shall be effective on giving written notice to the chairman of the board, 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. The board shall have the power to fill any vacancy on the board, except for vacancies attributable to the removal of a director. The members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election by written consent shall require the consent of a majority of the voting power. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

5.07. Action Challenging Appointment or Removal of Director.

An action challenging the validity of any election, appointment or removal of a director or directors must be commenced within one (1) month after the election, appointment or removal. If no such action is commenced, in the absence of fraud, election, appointment or removal of a director is conclusively presumed valid one (1) month thereafter if the only defect in the election, appointment or removal is the failure to give notice as provided in this part or in the association's articles or bylaws.

5.08. Place of Meetings; Meetings by Telephone. Regular meetings of the board of directors shall be held at a time and at a meeting place designated from time to time by resolution of the board. The meeting place shall ordinarily be within the properties unless, in the judgment of the governing body, a larger meeting room is required than exists within the properties. In this latter case, the meeting room selected shall be as close as possible to the properties. Special meetings of the board shall be held at such place within the properties designated in the notice of the meeting. In case of emergency, any meeting, regular or special, 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.

5.09. Regular Meetings. Regular meetings of the board of directors shall be held at least quarterly at such time as may be fixed from time to time by resolution of the board.

5.10. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 5.12. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

5.11 Participation of Members. Regular and special meetings of the board of directors shall be open to all members, but members who are not directors may participate in deliberation and discussion only if expressly authorized by a vote of the board. When approved by a majority of a quorum of the directors, the board may adjourn a meeting and reconvene in executive session to discuss and vote on such matters as personnel, litigation and related business, provided the nature of those matters has first been announced in open session.

5.12. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place within the properties.

5.13. Action Without 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 a unanimous vote of the board of directors. Such written consent or consents shall be filed with the minutes of the proceedings of the board.

5.14. Compensation. No director or officer shall receive compensation for any service he may render to the association. However, any director or officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE 6. COMMITTEES.

6.01. Committees. The board of directors may appoint one or more committees, however composed, for any purpose related to the purposes or obligations of the association. However, a committee shall not have all or any of the authority of the board.

ARTICLE 7. OFFICERS AND THEIR DUTIES.

7.01. Officers. The officers of this association shall be a president and a 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 may from time to time by resolution create. The officers shall be elected by the board.

7.02. Election. The election of officers shall take place at the first meeting of the board of directors following each annual meeting of the members.

7.03. Term. Each officer of this association shall be elected annually by the board and each shall hold office for one (1) year, unless he shall sooner resign, or shall be removed or otherwise disqualified to serve.

7.04. 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.

7.05. 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.

7.06. 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 replaces.

7.07. Multiple Offices. The offices of secretary and chief financial officer may be held by the same person. No personnel shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 7.04 of this Article.

7.08. Duties. The duties of the officers are as follows:

President: The president shall preside at all meetings of the board of directors; shall see that orders and resolutions of the board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall cosign all checks and promissory notes.

Vice President: The vice president shall act in the place and stead of the president in the event of his absence, inability to act or refusal to act to carry out any resolution of the board, and shall exercise and discharge such other duties as may be required of him by the board.

Secretary: The secretary shall record the votes, keep the minutes of all meetings and proceedings of the board and of the members; serve notice of meetings of the board and of the members; keep appropriate current records showing the members of the association together with their addresses, and shall perform such other duties as required by the board.

Chief Financial Officer: The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the association and shall disburse such funds as directed by resolution of the board of directors; shall sign all checks and promissory notes of the association; keep proper books of account; and prepare or cause to be prepared the following financial statements and related information:

A. A budget for each fiscal year consisting of at least the following information which shall be distributed not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of the fiscal year:

- (1) Estimated revenue and expenses on an accrual basis;
- (2) The amount of the total cash reserves of the association currently available for contingencies.

B. A report consisting of a balance sheet as of the last day of the association's fiscal year, an operating statement for said fiscal year, and a statement of changes in financial position for the fiscal year shall be distributed within thirty (30) days after the close of the fiscal year.

C. For any fiscal year in which the gross income to the association exceeds SEVENTY-FIVE THOUSAND DOLLARS (\$75,000) a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If such report is not prepared by an independent account, it shall be accompanied by the certificate of an authorized officer of the association that the statement was prepared from the books and records of the association without independent audit or review.

ARTICLE 8. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS.

8.01. Indemnification. This association shall indemnify any person who is or was a director, officer, employer or other agent of this association to the fullest extent permitted by Section 7237 of the California Corporations Code as from time to time amended.

8.02. Insurance. The board of directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this association would have the power to indemnify the agent against that liability under the provisions of this section.

ARTICLE 9. RECORDS AND REPORTS.

9.01. Inspection Rights. The association shall keep the original or a copy of the current membership register, including mailing addresses and telephone numbers, articles and bylaws as amended to date, which shall be open to inspection by the members, the accounting books, records, and minutes of proceedings of the members and the board of directors and any committee(s) of the board of directors shall be kept at such place or places designated by the board of directors, or, in the absence of such designation, at the principal executive office of the association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The

membership register, minutes and accounting books and records shall be open to inspection for a purpose reasonably related to the member's interests as a member. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts.

9.02. Inspection Rules. The board of directors shall establish reasonable rules with respect to: (a) notice to be given to the custodian of the records by a member desiring to make inspections; (b) hours and days of the week when inspection may be made; and (c) payment of the cost of reproducing copies of any documents requested by a member.

9.03. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the association and each of its subsidiary associations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE 11. AMMENDMENTS.

These bylaws may be amended at a regular or special meeting of the members, by a vote of a simple majority of the members. However, if any provision of these bylaws requires a greater percentage vote for a specified action, amendment of that provision shall require the same greater percentage vote.

ARTICLE 12. CONFLICTS.

In the case of any conflict between the articles of incorporation and these bylaws, the articles shall control; and in the case of any conflict between the declaration and these bylaws, the declaration shall control.

ARTICLE 13. CONSTRUCTION AND DEFINITIONS.

Unless the context requires otherwise, 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, the singular number includes the plural, the plural number includes the singular, and the term "person" includes the corporation and a natural person.

ARTICLE 14. MISCELLANEOUS.

The regular fiscal year of the association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date when the articles of incorporation are filed with the Secretary of State.

IN WITNESS WHEREOF, we, being all of the directors of Grosvenor Downs Homeowners Association, have hereunto set our hand this 23rd day of March, 1991.

Mildred Beard

Susan E. Covert

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