

RESTATED BYLAWS

OF

MERRY MOUNTAIN OWNERS' ASSOCIATION, INC.

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**ARTICLE I
Recitals and Definitions**

Section 1. Name of Association. The name of this corporation is Merry Mountain Owners' Association, Inc., and shall be referred to herein as the "Association."

Section 2. Association Is Nonprofit. The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code, § 7110 et seq.) as a nonprofit mutual benefit corporation.

Section 3. Specific Purpose. The specific and primary purpose of this Association shall be to own, repair, maintain and manage the Common Area and Common Facilities within the Merry Mountain Village real estate common interest development located in the County of Butte, State of California, to enforce the Rules and Regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

Section 4. Definitions.

(a) Declaration. "Declaration" means the First Restated Declaration of Covenants, Conditions and restrictions for Merry Mountain, Recorded on 7/29, 1996, in Book 96, page 028051, as such Declaration may be supplemented, amended or modified by a duly Recorded subsequent Declaration, or amendment thereto.

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

**ARTICLE II
Location of Principal Office**

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

**ARTICLE III
Membership**

Section 1. Members of the Association. Every Owner of a Lot within the Properties is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot.

Section 4. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot; provided that any election of directors shall be conducted by written ballot in accordance with section 6 of this article. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by 10 percent of the Members present at the meeting.

(b) Voting by Written Ballot. In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue in accordance with section 6 of this article.

(c) Proxy Voting. Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in section 5 of this article.

(d) Cumulative Voting. Cumulative voting shall not be permitted.

Section 5. Proxies.

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

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by: (i) delivery to the secretary of a written notice of revocation; (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting; or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Lot as provided in article III, section 1 above.

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

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

(b) Written Ballots. Generally. Any matter or issue requiring the vote of the Members, including the election of directors, may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this section are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board or by Members possessing 5 percent of the Voting Power of the Association signing a written request and delivering this request to the president, vice president or secretary of the Association. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see article V, section (8)(a)(iii), hereof) for purposes of determining those Members eligible to cast written ballots.

(c) Balloting Time Requirements.

(i) Director Elections. In the case of written ballots used in the election of directors, the ballots shall be mailed to all Members who are eligible to vote not more than 35 days prior to the date set for the election, but no less than 20 days prior to such date. If the Member elects to return his or her written ballot by mail or personal delivery to the address set forth in the solicitation materials for return of the ballots prior to the meeting at which the director election will be held, the written ballot must be received no later than 10:00 a.m. on the scheduled date of the meeting or at such time as the Board designates on the written ballot form. If the Member elects to return his or her written ballot in person at the meeting, the ballot must be inserted in the ballot box prior to conclusion of the time scheduled on the meeting agenda for receipt of ballots and conclusion of the election process at the meeting.

(ii) Other Matters. In the case of any other matter or issue submitted to the Members for approval by written ballot, the Board shall distribute the written ballot to every Member entitled to vote on the matter at least 30 days prior to the final date the written ballots are to be received to be counted.

(iii) Extension of the Balloting Period. The time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the face of the ballot or in the balloting materials originally sent to Members. Notwithstanding the foregoing, if a meeting which is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened.

(d) Content of Written Ballots.

(i) Written Ballots Used for Voting in Director Elections. Written ballots used in any election of directors shall set forth the names of the candidates whose names have been placed in nomination at the time the ballot is issued (see article VII, section 4). The ballot form shall also provide a space where the Member can designate a vote for another (write-in) candidate.

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

(iii) Specification of Time for Return of Written Ballot. All written ballots shall state the time by which the ballot must be received in order to be counted (see subparagraph (c), above).

Governing Documents. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

Section 8. Action by Unanimous Written Consent. Any action required or permitted to be taken by the Members at a meeting, may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. If action is taken by written consent, the consent(s) shall be filed with the Association's minutes.

ARTICLE V Membership Meetings

Section 1. Place of Meeting. Meetings of the Members shall be held at the offices of the Association within the Properties or at such other reasonable place within the County and at such time as may be designated by the Board in the notice of the meeting.

Section 2. Annual Meeting. There shall be an annual meeting of the Members on the fourth Saturday of July of each year. The date, time and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members in accordance with section 4, below.

Section 3. Special Meetings.

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

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is called by Members other than the Board of Directors or the president, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by first-class, certified or registered mail or by telegraphic or other facsimile transmission to the president, 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 4 of this article, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request.

If notice of the meeting is not given within the 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 or the president.

Section 4. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with section 8 of this article.

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

Section 5. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with article IV, section 6 of these Bylaws:

(i) Quorum for Votes on Assessment Increases. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval (see article IV of the Declaration), the quorum requirement for valid action on the proposal shall be the percentage specified in section 1366 of the Civil Code or comparable successor statute. That quorum percentage is currently a majority of the Members.

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be 33-1/3 percent of the Members eligible to vote and represented in person or by proxy at the meeting or casting a written ballot.

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

(c) Effect of Departure of Members From Meeting. The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

Section 6. Adjourned Meeting.

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

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

ARTICLE VI Membership Rights

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

Section 1. Use and Enjoyment of Common Areas by Members and Family. Each Member and the members of his or her Family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas and Common Facilities within the Properties.

Section 2. Tenants and Lessees. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Residence. Such assignment shall only be effective so long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association Rules as the same may exist from time to time. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents. Without limiting the foregoing, reference is specifically made to article II, section 3 of the Declaration for additional tenant and lease restrictions.

Section 3. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the Common Areas and Common Facilities within the Properties, subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the Governing Documents.

Section 4. Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations and restrictions set forth herein, in the Declaration and in the Association's published rules and regulations as promulgated by the Board from time to time. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any Common Area and Common Facilities for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in the Declaration.

ARTICLE VII Board of Directors

Section 1. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civ. Code, § 1350 et seq.) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. Subject to the limitations expressed in article X, section 1, the Board may delegate the management of the activities of the Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

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.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; or (iii) fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraph (c) hereof, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members.

(e) Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director by action of the Members in which case the vacancy shall be filled by a vote of the Members. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors by an election at a duly held meeting of the Members or written ballot.

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

ARTICLE VIII Board Meetings

Section 1. Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within the Properties that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the above provisions of this section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Section 2. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 3. Other Regular Meetings. Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. Ordinarily, regular meetings shall be conducted at least monthly; provided, however, that regular meetings can be held as infrequently as every six months if the Board's business does not justify more frequent meetings. Notice of the time and place of regular meetings of the Board of Directors shall be included in the package distributed by the Association which contains the previous Board meeting minutes. If the Board has not fixed the time and location for regular meetings, notice shall be communicated to the Board members not less than 72 hours prior to the meeting; provided, however, that

Section 6. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 8 of this article. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to: (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest; (ii) appointment of committees; and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles or by law.

Section 7. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if: (a) a quorum is present; and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as hereinabove provided, notice of adjournment need not be given.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying upon notification after the fact.

Section 10. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

- (l) Perform all acts required of the Board under the Declaration.
- (m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in article XII, section 5 hereof.
- (n) Appoint a nominating committee for the nomination of persons to be elected to the Board, and prescribe rules under which said nominating committee is to act, all as more particularly described in article VII, section 4 hereof.
- (o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with article X hereof.
- (p) Fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member by action of the Members.
- (q) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.
- (r) Bring and defend actions on behalf of the Members in common or the Association to protect the interests of the Members in common or the Association, as such, so long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation.
- (s) Enter Lots as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Common Areas, Common Facilities or the Owners in common.

Section 2. Limitations on Powers. Without the vote or written assent of a majority of the Voting Power of the Association, the Board of Directors shall not take any of the following actions:

- (a) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year; provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.
- (b) Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that year; provided however, that this limitation shall not apply to the sale or other disposition of Lots acquired by the Association in foreclosure proceedings.
- (c) Pay compensation to members of the Board of Directors or officers of the Association; provided that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

ARTICLE XI Officers

Section 1. Officers. The officers of the Association shall be a president, a vice president, a secretary and a chief financial officer. The Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of section 3 following. Any person may hold two or more offices, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 2. Election of Officers. The officers of the Association, except such officers as may be appointed in accordance with the provisions of sections 3 and 6 following, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 3. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 4. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 7. President. The president shall be elected by the Board from among the directors. He or she shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 8. Vice President. The vice president shall be elected by the Board from among the directors. In the absence or disability of the president, the vice president shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 9. Secretary. The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office or such other place as the Board may order,

particularly set forth in article IV of the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 5. Budgets and Financial Statements. The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

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

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

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to section 6, below, and Civil Code section 1365.5, which shall be printed in bold type and include all of the following:

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

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

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

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

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

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, upon request, to any Member at the Association's expense. This notice shall be presented on the front page of the budget summary in at least 10-point bold type. If a Member requests a copy of the complete budget, the Association shall mail the material, via first class mail, within five days.

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

(i) A balance sheet as of the end of the fiscal year;

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

Section 7. Alternative Dispute Resolution (ADR) Disclosure. On an annual basis, the Board shall provide each member a summary of the provisions of Civil Code section 1354, which specifically references section 1354 and which includes the language required by section 1354(i). The summary shall be provided either at the time the budget required by section 5(a) of this article is distributed or in the manner specified in Corporations Code section 5016.

ARTICLE XIII Miscellaneous

Section 1. Inspection of Books and Records.

(a) Member Inspection Rights. All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member or his or her duly appointed representative at the offices of the Association for any purpose reasonably related to the Member's interest as such. Member's rights of inspection hereunder shall be exercisable on 10 days' prior written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. Inspection rights with respect to the membership list shall be subject to the Association's right to offer a reasonable alternative to inspection within 10 days after receiving the Member's written demand (as more particularly set forth in section 8330 and following of the California Corporations Code).

(b) Director Inspection Rights. Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Association and the physical properties owned by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

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

(d) Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an executive session, shall be available to the Members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's costs in making that distribution. Members shall be notified in writing at the time that the pro forma budget required by section 5 of article XII is distributed or at the time of any general mailing to the entire membership of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

Section 2. Property Manager. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under

(c) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director or officer seeking indemnification under paragraphs (a) and (b) of this section in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

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

Section 7. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

CERTIFICATE OF SECRETARY

The undersigned, secretary of the corporation known as Merry Mountain Owners' Association, Inc., hereby certifies that the above and foregoing Restated Bylaws, consisting of 25 pages, were duly adopted by written ballot of the Members of the Association on Mar 23, 1996 and that they now constitute the Bylaws of the Association.

MERRY MOUNTAIN OWNERS' ASSOCIATION,
INC., a California nonprofit mutual benefit corporation

By 
PATRICIA E. SHIELDS Secretary