

BY-LAWS
OF
CHARDONNAY HILLS HOMEOWNERS ASSOCIATION

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BY-LAWS OF
CHARDONNAY HILLS HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

Section 1. Name and Location. The name of the corporation is CHARDONNAY HILLS HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at the Project in the County of Riverside, State of California.

ARTICLE II

DEFINITIONS

Section 1. Definitions. All terms as used in these By-Laws shall, unless stated otherwise, be defined as set forth in that certain "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Chardonnay Hills" recorded on April 30 1990, as Instrument No. 157279, in the Official Records of Riverside County, California, and any amendments thereto, (hereinafter referred to as the "Declaration.") All of the terms and provisions of the Declaration are hereby incorporated herein by reference.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS
IN THE ASSOCIATION

Section 1. Membership in the Association. Membership in the Association and the classes of membership shall be as set forth in the Article in the Declaration entitled "The Association."

Section 2. Delegate District System. In order to provide for the efficient and effective management of the Association, Declarant has established a Delegate District system of voting as set forth in the Declaration and herein. The Delegate Districts shall be formed, the Delegates (and Alternate Delegates) shall be initially selected and thereafter elected by the Members of their respective District. The number of votes (i.e. voting power) held or represented by each Delegate, and the manner in which a Delegate shall cast the voting power attributable to his respective District, is more fully set forth in the Declaration. Declarant's voting rights are also set forth in the Declaration.

Section 3. Meaning of Percentage Delegate Voting Power. As used in the Declaration and these By-laws, any specified percentage "of Delegates" or of the "voting power of Delegates" shall mean those Delegates representing such specified percentage of the voting power of the Membership in the Association. Unless otherwise expressly provided in the Declaration or these By-Laws, any action which may be taken by the Association, may be taken by Delegates representing a majority of the voting power of the Association.

Section 4. Quorum. Except as otherwise provided in these By-Laws, the presence in person of Delegates representing at least sixty-seven percent (67%) of the voting power of the Association shall constitute a quorum of the membership. The Delegates present at a duly called meeting or meeting at which a quorum is present may continue to do business until adjournment,

notwithstanding the withdrawal of enough Delegates to leave less than a quorum. Delegates may only act personally at a meeting of the Delegates, or by written ballot, and may not act by proxy.

Any meeting of the Delegates, whether or not a quorum is present, may be adjourned from time to time for any reason by a vote of the Delegates representing a majority of the voting power of the Delegates present at the meeting, to another time not less than five (5) days nor more than thirty (30) days from the date of the original meeting. If the time and place of the adjourned meeting are announced prior to the adjournment of the original meeting, no notice of the adjourned meeting is required, provided that if a new date is fixed for the adjourned meeting after the adjournment of the original meeting, notice of the date, time and place of the adjourned meeting shall be given to Delegates in the manner prescribed in Article IV, Section 5 of these By-Laws. Any business that might have been transacted at the original meeting may be transacted at the meeting other than to adjourn the meeting to another time. If a meeting is adjourned because a quorum is not present, the quorum requirement at the adjourned meeting shall be Delegates representing twenty-five percent (25%) of the total voting power of the Association. If, however, such an adjourned meeting is attended by Delegates representing less than one-third ($1/3$) of the voting power of the Association, notwithstanding the presence of a quorum, no matter may be voted upon except those matters regarding which notice of the general nature of the matter to be voted upon was given in accordance with Article IV, Section 5 of these By-Laws.

ARTICLE IV
ADMINISTRATION

Section 1. Association Responsibilities. The Association shall have all of the responsibilities set forth in the Declaration, including but not limited to, administering the Association Property, approving the annual budget, establishing and collecting all Assessments authorized pursuant to the Declaration, and providing for architectural control of the Project.

Section 2. Place of Meetings of the Delegates. Meetings of the Delegates shall be held within the Project or such other suitable meeting place within the County as close thereto as practicable and convenient to the Delegates, as may be designated by the Board of Directors from time to time.

Section 3. Organization and Annual Meetings of the Association. Regular meetings of Delegates shall be held not less frequently than once each calendar year at the time and place prescribed by these By-Laws. The first meeting of the Association, whether a regular or special meeting, shall be held within forty-five (45) days after the close of escrow for the sale of the Lot which represents the fifty-first (51st) percentile interest authorized for sale under the original Final Subdivision Public Report for the first Phase of the Project, but in no event later than six (6) months after the first close of an escrow for the sale of a Lot in the Project. Thereafter, the annual meetings of the Delegates shall be held on or about the anniversary date of the first annual meeting. All Members of the Association who are not Delegates or Alternate Delegates may attend (and each first Mortgagee may designate a representative to attend), any such meetings (to the extent of the permissible capacity of the meeting room), but may not participate in any of the deliberations of the Delegates or in the voting by the Delegates.

Section 4. Special Meetings. A special meeting of the Delegates shall be called by the President, as directed by resolution of the majority of a quorum of the Board of Directors, or

by a petition being represented to the Secretary signed by Delegates representing at least five percent (5%) of the total voting power of the Association.

The notice of any special meeting shall be given within twenty (20) days after adoption of said resolution or receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than thirty-five (35) days or more than ninety (90) days after adoption of the resolution or receipt of the petition. No business shall be transacted at a special meeting except as stated in the notice. All Members of the Association who are not Delegates or Alternate Delegates may attend (and each first Mortgagee of a Lot in the Project may designate a representative to attend) all special meetings of the Delegates (to the extent of the permissible capacity of the meeting room), but may not participate in any of the deliberations of the Delegates or in the voting by the Delegates.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to send a notice of each annual or special meeting by first-class mail, at least thirty (30) days and not more than ninety (90) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held, to (1) each Delegate and Alternate Delegate of record, (2) the Class B member, and (3) Members (if Directors are to be elected) and to each first Mortgagee of a Lot, if said Mortgagee has filed a written request for notice with the Secretary. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all persons who are nominees at the time the notice is given. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered served forty-eight (48) hours after the notice has been deposited in a regular depository of the United States mail. The notice shall also be posted in a

conspicuous place in the Project, and the notice shall be deemed served upon any Delegate upon posting if no address for the Delegate has been furnished to the Secretary.

Section 6. Special Notice Requirements. Approval by the Delegates of any of the following proposals, other than by unanimous approval of those Delegates entitled to vote, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (a) removing a Director without cause;
- (b) filling vacancies on the Board;
- (c) amending the Articles;
- (d) approving a contract or transaction between the Association and any entity in which a Director has a material financial interest;
- (e) electing to wind up and dissolve the Association; or
- (f) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of Members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Section 7. Waiver of Notice. The transactions of any meeting of Delegates, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after a regular call and notice, if (1) a quorum is present, and (2) either before or after the meeting, each Delegate entitled to vote, not present in person, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of Delegates, except that if action is taken or proposed to be taken for approval of any of those matters specified in the preceding Section 6, the waiver of notice, consent or approval shall state the general nature of the pro-

posal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a Delegate at a meeting shall constitute a waiver of notice, unless the Delegate objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. However, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 8. Proof of Membership and Record Date. No person shall exercise the rights of membership in the Association until satisfactory proof of membership has been furnished to the Association. No Delegate shall be entitled to cast a vote on behalf of a Member with respect to any Lot acquired by such Member after the applicable record date. Such proof may consist of either a duly-executed and acknowledged grant deed or title insurance policy showing that the person has an ownership interest in a Lot that would entitle the person to membership in the Association as provided in the Declaration. Such deed or policy shall be deemed conclusive proof of the person's membership in the absence of a conflicting claim based on a later deed or policy.

For the purpose of determining the Members entitled to notice of any meeting, to vote as a Delegate, or to exercise any other rights in respect of any lawful action, the Board may fix, in advance, a record date as follows: (1) the record date for notices shall be not more than ninety (90) days nor less than ten (10) days before the date of the meeting; (2) the record date for voting shall not be more than sixty (60) days before the date of the meeting or before the date on which the first written ballot is mailed or solicited; and (3) the record date for any other action shall not be more than sixty (60) days before the date of

such action. If no record date is fixed by the Board, the record date shall be determined in accordance with California Corporations Code Section 7611, as same may be amended from time to time. A person holding a membership as of the close of business on the record date shall be a Member of record.

Section 9. Action Without a Meeting and by Written Ballot. Any action that may be taken at any meeting of the Delegates, except the election of Directors, may be taken by written ballot if the following requirements are satisfied:

(a) The Association distributes a written ballot to each Delegate entitled to vote on the matter. The ballot shall be given personally, or by first-class, registered, or certified mail addressed to the Delegate at the address appearing on the books of the Association or given by the Delegate to the Association for the purpose of notice. The ballot shall provide a reasonable time within which to be returned. If ballots are distributed to ten (10) or more Delegates, and the Association has one hundred (100) or more Delegates, the requirements of California Corporations Code Section 7514, as same may be amended from time to time, 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) a reasonable time within which to return the ballot to the Association pursuant to Section 7513 of the California Corporations Code, as same may be amended from time to time, 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 author-

izing 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.

(d) A written ballot may not be revoked.

Section 10. Order of Business. Unless otherwise indicated by an agenda, the order of business at meetings of the Delegates shall be as follows: (1) appointment of a chairman for the meeting and an inspector of election by the Board; (2) roll call to determine the voting power represented at the meeting; (3) proof of notice of meeting or waiver of notice; (4) reading of the minutes of the preceding meeting; (5) reports of officers; (6) reports of committees; (7) election of Directors (at annual meetings or special meetings held for such purposes); (8) unfinished business; and (9) new business.

Section 11. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Delegates, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE V

BOARD OF DIRECTORS:

SELECTION, TERM OF OFFICE

Section 1. Number and Qualifications of Directors. The affairs of the Association shall be managed by a Board consisting of seven (7) Directors. Except for those initially appointed to serve as Directors, the Board shall consist only of Members who are in good standing with the Association, or an agent of Declarant, for so long as Declarant owns a Lot in the Project. The authorized number of Directors may be changed by a

duly adopted amendment to the By-Laws. Directors shall not receive any salary or compensation for their services as Directors; provided, however, that Directors may be reimbursed for their actual reasonable expenses incurred in the performance of their duties. The initial Directors shall be appointed by the Declarant as soon as practicable after the incorporation of the Association, and shall hold office until the first annual meeting of the Delegates are specified in these Bylaws. Except as may otherwise be provided herein and in the Declaration, after the first annual meeting, the Delegates shall elect Directors to fill all the positions of the Board.

Section 2. Nomination. Except for the initial Director selected by Declarant as provided for herein, nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members of the Association selected by a majority of a quorum of the Board. The Nominating Committee shall be selected by the Board prior to each annual meeting of the Association to serve from the close of such annual meeting until the close of the next annual meeting. The members of the Nominating Committee shall be announced promptly after the first meeting of the Board. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Nominations may be made from among Members or non-Members so long as the Class B membership exists. Thereafter, nominations shall only be made from among Members.

Notwithstanding the foregoing, any Member or Delegate present in person at a meeting in which a Director or Directors are to be elected may place a name in nomination at the meeting

prior to the vote. If the Association has five hundred (500) or more Members, the nomination requirements of California Corporations Code Section 7521, as may be amended from time to time shall be satisfied.

The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communicate their qualifications and their reasons for candidacy to the Members, and to solicit votes, and for a reasonable opportunity for all Delegates to meet with the Members in their respective Delegate Districts.

Section 3. Election and Term of Office. At the first annual meeting of the Association, the Delegates shall elect the Directors in accordance with the provisions set forth herein. New Directors shall be elected by secret ballot by the Delegates as provided herein. In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Delegates held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation or removal. Subject to the right of Declarant to exercise its Class B and its special voting rights as set forth in Article IV of the Declaration, with respect to Directors elected at the first annual meeting of the Delegates, the four (4) Directors receiving the highest number of votes shall each be elected for a term of two (2) years, and the three (3) Directors receiving the next highest number of votes shall each be elected for a term of one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by resignations or expiration of the terms of past Directors. Following the first annual meeting, the term of office for each Director elected to fill a vacancy created by the expiration of the terminated office of the perspective past Director shall be two (2) years. Term of office for each Director elected to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved of his predecessor. Any person serving as a Director may be re-elected,

and there shall be no limitation on the number of terms which a Director may serve.

Voting is required following an election in which two (2) or more positions are to be filled; provided, however, that all cumulative voting hereunder shall comply with the procedural prerequisites of California Corporations Code Section 7615(b), as same may be amended from time to time, which provides that no Delegates shall be entitled to accumulate votes for a candidate or candidates unless such candidate or candidates names have been placed into nomination prior to the voting, and a Delegate has given notice at the meeting prior to the voting of said Members who may cumulate votes. If a Delegate accumulates his votes, the Delegate may cast a number of votes equal to the Delegate's share of the voting power, multiplied by the number of Directors to be elected, as more fully set forth in the Declaration.

Section 4. Special Class A Voting Procedures. Notwithstanding any other provision herein or in any other document regarding this Project to the contrary, from the first election of the Board and thereafter, for so long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the entire Board shall be elected solely by the Delegates casting votes attributable to Members other than Declarant. The Delegates shall ensure that at least one Director is an Owner not connected directly or indirectly with Declarant ("Nonaffiliated Owner") for so long as a majority of the voting power of the Association is attributable to Lots owned by Declarant. Election of Directors shall be first apportioned to Delegates representing the voting power of Members other than Declarant until the aggregate number of Directors on the Board elected by Delegates casting votes attributable to Members other than Declarant represents at least twenty percent (20%) of the entire Board, so long as a majority of the voting power of the Association is attributable to Lots

owned by the Declarant. Any Nonaffiliated Owner shall be an eligible candidate for this special election. Such election shall be by secret written ballot unless a majority of the Delegates representing the voting power of the Member, other than Declarant determine otherwise. The remaining Directors shall be elected in accordance with the cumulative voting procedures established in the Declaration.

Nonaffiliated Owners receiving the greatest number of votes cast by Delegates representing the voting power of Members other than Declarant shall be elected to the Board in a co-equal capacity with all of the Directors.

Section 5. Removal. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed, with or without cause, by a vote of Delegates representing a majority of the total voting power of the Association (including votes attributable to Declarant), and a successor may then and there be elected to fill the vacancy so created. Unless the entire Board is removed from office by the vote of the Delegates, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Director were then being elected. A Director who has been elected to office solely by the votes of Delegates representing the voting power of Members other than Declarant, may be removed from office prior to the expiration of his term of office only by the vote of Delegates representing at least a simple majority of the voting power residing in Members, other than the Declarant; and in the event of such removal the Director's successor shall be elected in the same manner as the removed Director, pursuant to the provisions set forth herein.

Section 6. Vacancies. Vacancies on the Board caused by any reason, other than the removal of a Director by a vote of Delegates of the Association, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum, and each person so elected shall be a Director and shall serve for the remainder of the term of the Director he replaces, or until a successor is elected at the next annual meeting of the Delegates of the Association, or at a special meeting of the Delegates called for that purpose. In the event that a majority of the remaining Directors are unable to agree upon a successor within fifteen (15) days following the occurrence of a vacancy, a special election to fill the vacancy shall then be held in accordance with the terms provided in the Article herein entitled "Nomination and Election of Directors," within not less than ten (10) days nor more than thirty (30) days following the expiration of said fifteen (15) day period. Notice of a special meeting and election shall be given in accordance with the terms provided herein. Vacancies shall be deemed to exist in case of death, resignation or, removal, or in case the Delegates fail to elect a full number of authorized Directors at any meeting at which the election is to take place.

Section 7. Compensation of Directors. No Director shall receive compensation for any service he may render to the Association; provided, however, a Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular and Special Meetings. Regular meetings of the Board shall be held monthly, and on such day and at such hour as may be fixed, from time to time, by resolution of the Board. Should said 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. Notice of the time and place of a regular meeting shall be posted at a prominent place or places within the Association Property, and shall be communicated to the Directors not less than four (4) days prior to the meeting, unless the time and place of the meeting is fixed by the Directors and duly adopted herein; provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. Special meetings of the Board shall be held when called by the President of the Association or by two (2) Directors, other than the President, provided that the Directors receive not less than four (4) days' notice by first-class mail, or forty-eight (48) hours in the case such notice is delivered personally or communicated by telephone or telegraph to the Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be transacted. Such notice, whether delivered personally to the Directors or sent to each Director by letter or by telegram (postage or charges prepaid), shall be to the address reflected in the records of the Association. Notwithstanding the foregoing, notice of the special meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting, or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting. Written notice of a special meeting shall be posted as prescribed for notice of regular meetings. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, with the approval of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business

be considered "substantial" if it affects the extent, usage or maintenance of the Maintenance Areas or Association Property.

In the event of any conflict between this Declaration and the Articles of Incorporation, the Bylaws or the Association's Rules and Regulations, if any, this Declaration shall control.

ARTICLE III
PROPERTY RIGHTS REGARDING THE
ASSOCIATION PROPERTY AND
RESERVATION OF EASEMENTS

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Association Property. Said right and easement shall be appurtenant to and shall pass with title to every Lot, subject to the limitations set forth in Section 2 below.

Section 2. Limitations on Owners' Easement Rights. The rights and easements of access, use and enjoyment set forth in Section 1 hereinabove shall be subject to the provisions of this Declaration, including, but not limited to, the following:

(a) The right of the Association to reasonably limit the number of guests of Owners using the Association Property and facilities located thereon;

(b) The right of the Association to establish and enforce reasonable Rules and Regulations pertaining to the use of the Association Property and all facilities located thereon;

(c) The right of the Association to suspend the voting rights and rights and easements of use and enjoyment of the Association Property of any Member, and all persons deriving such rights and easements from any Member (as provided herein) for any period during which any Assessment against such Member's Lot remains unpaid and delinquent; and

ARTICLE VII
POWERS AND DUTIES OF THE
BOARD OF DIRECTORS

Section 1. Powers and Duties. The Board, for and on behalf of the Association, shall have the right and power to do all things necessary to conduct, manage and control the affairs and business of the Association as more particularly described in the Declaration.

ARTICLE VIII
OFFICERS AND THEIR DUTIES

Section 1. Enumeration and Qualifications of Officers. The officers of this Association shall be a President, Vice President, Secretary and a Treasurer. Said officers shall consist only of Members in good standing of the Association. Any Member serving as a Director of the Association may simultaneously serve as an officer thereof.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year, unless such officer shall sooner resign or shall be removed or otherwise disqualified to serve.

Section 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.

Section 5. Resignation and Removal. Any officer may be removed from office at any time, with or without cause, by a majority of 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 such later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 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 replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices, except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. Duties of the officers are as follows:

(a) President: The President shall preside at all meetings of the Delegates of the Association and Board; shall see that orders and resolutions of the Board are carried out; shall co-sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and promissory notes; provided, however, that the authority to co-sign all checks is assignable to a manager for the Project.

(b) Vice President: The Vice President shall act in the place and stead of the President in the event of the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Delegates; shall co-sign all contracts, leases or other instruments executed in the name of or on behalf of the Association; serve notice of meetings of

the Board and of the Delegates; 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.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse such funds as directed by resolution of the Board; shall co-sign all checks and promissory notes of the Association; provided, however, that the authority to co-sign all checks is assignable to a manager for the Project; keep proper books of account; cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year as provided for in the Declaration, and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Section 9. Compensation of Officers. No officer shall receive any compensation for services performed to the Association; provided, however, that an officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE IX

COMMITTEES

Section 1. Appointment of Committees. The Association shall appoint a Nominating Committee, as provided in these By-Laws and an Architectural Control Committee, as provided in the Declaration. In addition, the Board may appoint such other committees as deemed appropriate in carrying out its purposes.

ARTICLE X

INSPECTION OF BOOKS AND RECORDS

Section 1. Availability of Books and Records. The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Delegates, of the Board and of any and all committees, shall be made available for inspection and copying by any Member of the Association, or by his duly-appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

Section 2. Rules Concerning Inspection. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;

(b) Hours and days of the week when such an inspection may be made; and

(c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 3. Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE XI

NOTICE AND HEARING

Section 1. Suspension of Privileges. In the event of an alleged violation of the Declaration, these By-Laws or the Rules and Regulations of the Association, and after written notice of such allegation, as provided below, the Board shall have the right, after conducting a hearing on the matter, as provided below, to discipline any Member by taking any one (1) or more of the following actions: (a) levying a Compliance Assessment as provided in the Declaration; (b) suspending or conditioning the right of said Member to use any Association Property; or (c) suspending the voting rights attributable to such Member's Lot(s). Any such suspension shall be for a period of time not exceeding thirty (30) days for any noncontinuing violation, but in the case of a continuing violation, including, without limitation, the nonpayment of Assessments which have become delinquent, such suspension may be imposed so long as the violation continues.

Section 2. Notice to Member. Written notice of the alleged violation shall be delivered personally or mailed to the Member by first class or registered mail, return receipt requested, at least fifteen (15) days before the proposed hearing on said alleged violation. Said notice shall contain: (a) an explanation in clear and concise terms of the nature of the alleged violation; (b) a reference to provisions of the Declaration, the Rules and Regulations or these By-Laws which said Member is alleged to have violated; and (c) the time and place for the hearing.

Section 3. Hearing. The hearing shall be conducted by the Board, in executive session, who shall hear the charges and evaluate the evidence concerning the alleged violation. At the hearing, said Member shall have the right to present oral or written evidence concerning the alleged violation. The Board shall render its decision concerning the alleged violation to

said Member not less than five (5) days after the hearing, and shall provide a written explanation of the suspension, fine or conditions, if any, imposed by the Board.

ARTICLE XII

AMENDMENTS

Section 1. Amendments to By-Laws. So long as the two-class voting structure provided for herein shall remain in effect, these By-Laws may be amended only by the vote or written assent of Delegates representing sixty-seven percent (67%) of the voting power of each class of Members. In addition, so long as there is a Class B membership, any amendment to these By-Laws shall require the approval of the Department of Veterans Affairs ("VA"). A draft of the proposed amendment should be submitted to the VA for its approval prior to approval by the Association. At such time as the Class B membership shall cease and be converted to Class A membership, amendments to these By-Laws shall be enacted by requiring the vote or written assent of:

(a) Delegates representing sixty-seven percent (67%) of the total voting power of the Association; and

(b) Delegates representing sixty-seven percent (67%) of the votes of Members, other than the Declarant.

Notwithstanding the foregoing, Delegates representing the percentage of a quorum of the Members or of the votes of Members, other than the Declarant, necessary to amend a specific provision in these By-Laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under said provision.

ARTICLE XIII

CORPORATE SEAL

Section 1. Seal. The Association shall have a seal in circular form having within its circumference the words: CHARDONNAY HILLS HOMEOWNERS ASSOCIATION.

ARTICLE XIV
MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall be determined by the Board, and having been so determined, is subject to change, from time to time, as the Board shall determine.

Section 2. Checks and Drafts. Except as otherwise restricted in the Article in the Declaration entitled "Powers and Duties of the Association," all checks, drafts or other order for payments of money, notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed by the President and Treasurer.

Section 3. Execution of Documents. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances, and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or in any amount.

Section 4. Dissolution. Any dissolution of the Association shall require the approval of the Board and the vote or written consent of both: (a) Delegates representing at least a majority of the total voting power of the Association, and (b) Delegates representing at least a majority of the voting power of the Association residing in Members, other than Declarant. Upon the winding-up and dissolution of the Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets shall be distributed to an appropriate public agency or any nonprofit corporation, association or trust, to be used for purposes similar to those for which the Association was created.

Section 5. Conflict. In the case of any conflict between the Articles 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.

* * *

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of CHARDONNAY HILLS HOMEOWNERS ASSOCIATION, a California nonprofit, mutual benefit corporation; and

2. That the foregoing By-Laws, comprising of 24 pages, constitute the original By-Laws of said corporation, as duly adopted at the first meeting of the Board of Directors thereof duly held October 18, 1990.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 23rd day of October, 19 90.



SECRETARY

Chardonnay Hills Homeowners
Association

CHARDONNAY HILLS HOMEOWNERS' ASSOCIATION

CERTIFICATION OF FIRST AMENDMENT TO BYLAWS

The undersigned hereby certifies that the following amendment to the Association's Bylaws has been duly approved by unanimous vote of the Delegates, Declarant, and the Veterans' Administration, thus satisfying the requirements governing amendments as prescribed in Article XII, Section I of the Bylaws.

ARTICLE VI

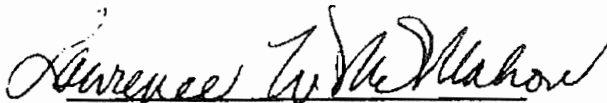
MEETINGS OF DIRECTORS

Section 1. Regular and Special Meetings.

Amended to read: "Regular meetings of the Board shall be held *quarterly*..." [remainder of Section 1 remains the same.]

Date: 7/23/92

Attest To:



Larry McMahon, Secretary

MWV/m/a:bylawcert

CERTIFICATE OF SECOND AMENDMENT OF BY-LAWS

The undersigned certify that:

1. They are the president and the secretary, respectively, of CHARDONNAY HILLS HOMEOWNERS ASSOCIATION.
2. The following are amendments to the Association's By-Laws:

- a. Article III, Section 2, Section 3 and Section 4 are hereby deleted in their entirety, and the following Section 2 is substituted in their place:

Section 2. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy or ballot of one-third (33-1/3%) of the voting power of the Association shall constitute a quorum of the membership. The Members present at a duly called meeting or meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. If any meeting of the Members cannot be held due to lack of a quorum, the meeting may be adjourned to another time not less than five (5) days nor more than thirty (30) days later, and at that adjourned date, the quorum requirement shall be reduced to twenty-five percent (25%) of the membership. If the date, time and place of the adjourned meeting are announced at the time of the adjournment motion, then no notice of the adjourned meeting is required.

- b. Article IV, Sections 2 through 11, inclusive, are hereby deleted in their entirety, and the following Sections 2 through 11 are substituted in their place:

Section 2. Place of Meetings. Meetings of the Members shall be held within the Project or such other suitable meeting place within the County as close thereto as practicable and convenient to the Members, as may be designated by the Board of Directors from time to time.

Section 3. Annual Meetings of the Association Members. Regular meetings of the Members shall be held not less frequently than once each calendar year

at the time and place prescribed by these By-Laws. The annual meetings shall be held on or about the anniversary date of the prior annual meeting. First Mortgagees may designate a representative to attend any such meetings (to the extent the permissible capacity of the meeting room allows additional persons) but such representatives may not participate in any deliberations or voting.

Section 4. Special Meetings. A special meeting of the Members shall be called by the President, as directed by resolution of the majority of a quorum of the Board of Directors, or by a petition being represented to the Secretary signed by Members representing at least five percent (5%) of the total voting power of the Association.

The notice of any special meeting shall be given with twenty (20) days after adoption of said resolution or receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than thirty-five (35) days or more than ninety (90) days after adoption of the resolution or receipt of the petition. No business shall be transacted at a special meeting except as stated in the notice. First Mortgagees may designate a representative to attend any such meetings (to the extent the permissible capacity of the meeting room allows additional persons) but such representatives may not participate in any deliberations or voting.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to send a notice of each annual or special meeting by first-class mail, at least thirty (30) days and not more than ninety (90) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member, and to each first Mortgagee of a Lot, if said Mortgagee has filed a written request for notice with the Secretary. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all persons who are nominees at the time the notice is given. The mailing of a notice, postage prepaid, in the manner provided in this

Section, shall be considered served forty-eight (48) hours after the notice has been deposited in a regular depository of the United States mail. The notice shall also be posted in a conspicuous place in the Project.

Section 6. Special Notice Requirements. Approval by the Members of any of the following proposals, other than by unanimous approval, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (a) Removing a Director without cause;
- (b) Filling vacancies on the Board;
- (c) Amending the Articles;
- (d) Approving a contract or transaction between the Association and any entity in which a Director has a material financial interest;
- (e) Electing to wind up and dissolve the Association;
or
- (f) Approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of Members (applicable only if the Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Section 7. Waiver of Notice. The transactions of any meeting of the Association, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after a regular call and notice, if (1) a quorum is present, and (2) either before or after the meeting, each Member entitled to vote, not present in person, signs a written waiver of notice, a consent to the holding of the meeting or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting, except that if action is taken or proposed to be taken for approval of any of those matters specified in the preceding Section 6, the waiver of notice, consent or approval shall state the general nature of the proposal. All such

waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a Member at a meeting shall constitute a waiver of notice, unless the Member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. However, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting, but not so included, if that objection is expressly made at the meeting.

Section 8. Proof of Membership and Record Date. No person shall exercise the rights of membership in the Association until satisfactory proof of membership has been furnished to the Association. No Member shall be entitled to cast a vote with respect to any Lot acquired by such Member after the applicable record date. Such proof may consist of either a duly executed and acknowledged, recorded grant deed or title insurance policy showing that the person has an ownership interest in a Lot that would entitle the person to membership in the Association as provided in the Declaration. Such deed or policy shall be deemed conclusive proof of the person's membership in the absence of a conflicting claim based upon a later deed or policy.

For the purpose of determining the Members entitled to notice of any meeting, to vote as a Member, or to exercise any other rights in respect of any lawful action, the Board may fix, in advance, a record date as follows: (1) the record date for notices shall be not more than ninety (90) days nor less than ten (10) before the date of the meeting; (2) the record date for voting shall not be more than sixty (60) days before the date of the meeting or before the date on which the first written ballot is mailed or solicited; and (3) the record date for any other action not be more than sixty (60) days before the date of such action. If no record date is fixed by the Board, the record date shall be determined in accordance with California Corporations Code Section 7611, as same may be amended from time to time. A person holding a

membership as of the close of business on the record date shall be a Member of record.

Section 9. Action Without a Meeting and by Written Ballot. Any action that may be taken at any meeting of the Members, except the election of Directors, 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 given personally, or by first-class, registered or certified mail addressed to the Member at the address appearing on the books of the Association or given by the Member to the Association for the purpose of notice. The ballot shall provide a reasonable time within which to be returned. The requirements of California Corporations Code Section 7514, as it may be amended from time to time, shall be satisfied.
- (b) Each ballot shall set for: (1) the proposed action, (2) an opportunity to specify approval or disapproval of any proposal, (3) a reasonable time within which to return the ballot to the Association pursuant to Section 7513 of the California Corporations Code, as it may be amended from time to time, 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.
- (d) A written ballot may not be revoked.

Section 10. Order of Business. Unless otherwise indicated by an agenda, the order of business at meetings of the Members shall be as follows: (1) appointment of a chairman for the meeting and an inspector of election by the Board; (2) roll call to determine the voting power represented at the meeting; (3) proof of notice of meeting or waiver of notice; (4) reading of the minutes of the preceding meeting; (5) reports of officers; (6) reports of committees; (7) election of Directors (at annual meetings or special meetings held for such purposes); (8) unfinished business; and (9) new business.

Section 11. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meeting the Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

- c. Add a new Article IV, Section 12, as follows:

Section 12. Secret Absentee Ballot Procedures. Pursuant to the authority of Civil Code Sections 1363.03, et seq., the Board shall adopt rules for conduct of the Association Members' elections ("Election Rules") in accordance with the standards established by said statutes, as they may be amended from time to time.

- d. Article V, Sections 1 through 7, inclusive, are hereby deleted in their entirety, and the following Sections 1 through 6 are substituted in their place:

Section 1. Number and Qualification of Directors. The affairs of the Association shall be managed by a Board consisting of seven (7) Directors. The Board shall consist only of Members who are in good standing with the Association. The authorized number of Directors may be changed by a duly adopted amendment to the By-Laws. Except as may otherwise be provided herein and in the Declaration the Members shall elect Directors to fill all the positions of the Board.

Section 2. Nomination. Nomination for selection to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members of the Association selected by a majority of a quorum of the Board. The Nominating Committee shall be selected by the Board prior to each annual meeting of the Association to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Nominations shall only be made from among Members. The Nominating Committee shall issue its nominations at least forty-five (45) days prior to an election.

Section 3. Election and Term of Office. New Directors shall be elected by secret ballot by the Members as provided in the Election Rules (Civil Code Section 1363.03). In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting held for that purpose. Each Director shall hold office until their successor has been elected or until their death, resignation, or removal. At each annual meeting, new Directors shall be elected to fill vacancies created by resignations or expiration of the terms of past Directors. The term of office for each Director elected to fill a vacancy created by the expiration of the terminated office of the perspective past Director shall be two (2) years. The term of office for each Director elected to fill a vacancy created by the resignation, death or removal of his or her predecessor shall be the balance of the unserved term of the predecessor. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms which a Director may serve.

Cumulative voting is authorized in any election in which two or more Directors are to be elected.

Section 4. Removal. At any regular or special meeting duly called, any one (1) or more of the Directors may

be removed, with or without cause, by a vote of Members representing a majority of the total voting power of the Association, and a successor may then and there be elected to fill the vacancy so created. Unless the entire Board is removed from office, an individual Director shall not be removed prior the expiration of their term if the number of votes cast against their removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Director were then being elected.

Section 5. Vacancies. Vacancies on the Board caused by any reason, other than the removal of Director by a vote of the Members, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum, and each person so elected shall be a Director and shall serve for the remainder of the term of the Director they replace, or until a successor is elected at the next annual meeting of the Association, or at a special meeting called for that purpose.

Section 6. Compensation of Directors. No Director shall receive compensation for any service they may render to the Association; provided, however, a Director may be reimbursed for his/her actual expenses incurred in the performance of his/her duties.

- e. Article VIII, Section 8, subsections (a) and (c), are hereby deleted in their entirety, and the following subsections (a) and (c) are substituted in their place:

- (a) President: The President shall preside at all meetings of the Association Members and Board; shall see that orders of the Board are carried out; shall co-sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and promissory notes; provided however, that the authority to co-sign all checks is assignable to a manager for the Project.

* * *

- (c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the Association Members; shall co-sign all contracts, leases or other instruments executed in the name of or on behalf of the Association; serve notice of meetings of the Board and the Association 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.

- f. Article XII, Section 1, is hereby deleted in its entirety, and the following Section 1 is substituted in its place:

Section 1. Amendments to By-Laws. These By-Laws may only be amended by the vote or written assent of sixty-seven percent (67%) of a quorum of the Members. Notwithstanding the foregoing, the approval necessary to amend a specific provision in these By-Laws shall not be less than the prescribed percent of affirmative votes required for action to be taken under said provision.

- g. Article XIV, Section 4, is hereby deleted in its entirety, and the following Section 1 is substituted in its place:

Section 4. Dissolution. Any dissolution of the Association shall require the approval of the Board and the vote or written consent of a majority of the Members, unless dissolution is prohibited by Corporations Code Section 8724 or a successor statute. Upon the winding-up and dissolution of the Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets shall be distributed to an appropriate public agency or any nonprofit corporation, association or trust, to be used for purposes similar to those for which the Association was created.

3. The foregoing second amendment of By-Laws has been duly approved by the Board of Directors.

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4. The foregoing second amendment of By-Laws has been duly approved by the required vote of the members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: 09/07/06

Robert A. House
ROBERT HOUSE, President

Delbert H. Maysey
DELBERT MAYSEY, Secretary