[PROPOSED] AMENDMENT TO THE AMENDED AND RESTATED BYLAWS OF GREENTREE HOMES ASSOCIATION

COMPONENTS B-1 THROUGH B-9

PART ONE - BYLAW COMPONENT B-1

Relocate assessment and collection provisions to the Declaration

Current Article III, Sections 7 through 12 of the Bylaws

Article III, Sections 7 through 12 currently provide as follows:

Section 7: Liability for Dues and Assessments (Amended by the members at adjourned annual meeting on November 20, 1990.)

All members of the Association shall be personally liable for the payment of such dues and assessments as may from time to time be fixed and levied by the Board of Directors pursuant to the provisions of the By-Laws and/or Declaration. All dues and assessments must be applied in a uniform manner among all lots.

Section 8: Amount of Assessments (Amended by the members at adjourned annual meeting on November 20, 1990.)

The Board of Directors shall fix the amount of the annual assessment dues against each lot at least forty-five (45) days in advance of each annual assessment period. Written Notice of the annual assessment shall be sent to every member subject hereto. The Association shall upon demand of a member at any time furnish a certificate in writing Signed by an officer of the Association setting forth the assessments due and unpaid, if any, on such member's lot. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid in favor of all persons relying thereon in good faith.

Section 9: Delinquencies

Association dues shall be invoiced on a quarterly basis and payable on January 1, April 1, July 1, and October 1. They will be recorded as delinquent on January 31, May 1, July 31 and October 31 of each year. When and if levied, special assessments will become delinquent thirty (30) days after their respective due dates as fixed by the Board of Directors. All delinquent dues and assessments shall bear Interest from the date of delinquency at the rate of 10% per annum.

Section 10: Claim of Lien (Amended by the members at adjourned annual meeting on November 20, 1990.)

At any time within ninety (90) days after delinquency, the Association may give notice to the defaulting owner, which said notice shall state the date of the delinquency, the amount of the delinquency and make a demand for payment thereof. If such delinquency is not paid within ten (10) days after delivery of such notice; the Association may file a claim of lien against the lot of such delinquent owner. Such claims shall state:

(a) The name of the delinquent owner;

(b) A description of the lot against which claim of lien is made;

(c) The amount claimed to be due and owing;

(d) That the lien is asserted by the Association pursuant to the terms of the Declaration (giving the date of execution and the date, book and page references on the recording thereof in the office of the Recorder of the County of Orange); and

(e) That a lien is claimed against the described lot in an amount equal to the amount of the stated delinquency. Any such claim shall be signed and acknowledged by any member of the Board of Directors, an Officer of the Corporation or responsible management company personnel and shall be dated as of the date of execution of said claim.

(f) The name and address of the trustee authorized by the Association to enforce the lien by sale.

Section 11: Legal Action

The Board of Directors of the Association may enforce the payment of delinquent dues and assessments by an action to enforce each such assessment obligation brought in the name of the Association. Any judgment rendered in any such action shall include a sum of reasonable attorneys' fees in such amount as the Court may adjudge against such defaulting owner. Upon full satisfaction of any such judgment, it shall be the duty of the Association by an authorized officer thereof to execute and deliver to the judgment debtor an appropriate satisfaction thereof. In addition, the Board of Directors, In its discretion, may foreclose any lien claimed hereunder by appropriate action in Court or in the manner provided by law for the foreclosure of a mortgage under power of sale. In the event such foreclosure is by action in Court, reasonable attorneys' fees shall be allowed to the extent permitted by law. In the event the foreclosure is as in the case of a mortgage under power of sale, any person designated by the Association, in writing, shall be deemed to be acting as the agent of the lienor and shall be entitled to actual expenses and such fees as may be allowed by law or as may be prevailing at the time the sale is conducted. The certificate of sale shall be executed and acknowledged by any two members of the Board or by the person conducting the sale. A deed upon foreclosure shall be executed in like manner.

Section 12: Voluntary Payment of Delinquent Monies

At any time prior to judgment in any action brought by the Association against a delinquent member, the latter may pay the delinquent sum together with costs and attorneys' fees incurred by the Association to the date of such payment, whereupon the Association will promptly file a dismissal of any such action and will record a release of such claim of lien, if any.

Current Article VIII, Section 2(b) of the Bylaws

Article VIII, Section 2(b) currently provides as follows:

(b) The provisions of Article III, Sections 1 through 12 inclusive, relating to qualification of members, transfer of membership, membership privileges, waiver of benefits, voting rights and voting for Directors, liability for dues and assessments, amount of assessment, delinquencies, liens, legal action and voluntary payments.

Proposed Change to Article III, Sections 7-12 and Article VIII, Section 2(b) of the Bylaws

Article III of the Amended and Restated Bylaws is amended to delete and reserve Sections 7, 8, 9, 10, 11, and 12, relating respectively to liability for dues and assessments; amount of assessments; delinquencies; claims of lien; legal action; and voluntary payment of delinquent sums.

Article VIII, Section 2(b) is amended to read:

(b) The provisions of Article III, Sections 1 through 6, inclusive, relating to qualification and transfer of membership, membership privileges, waiver of benefits, voting rights, and voting for directors.

This B-1 change shall become operative only if the separate consolidated CC&R amendment (Components C-01 through C-18) receives the required Member approval, is properly certified, and becomes effective upon recordation. Until the corresponding CC&R provisions addressing assessments, delinquencies, liens, collection procedures, and related administration become effective, existing Article III, Sections 7 through 12 and the existing cross-reference in Article VIII, Section 2(b) shall remain unchanged. Approval of the consolidated Bylaw amendment does not, by itself, cause the B-1 deletions to take effect.

PART TWO - BYLAW COMPONENT B-2

Modernize enforcement and disciplinary procedures

Current Article III, Sections 13(c) and (d) of the Bylaws

Article III, Sections 13(c) and (d) currently provide as follows:

(c) Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be levied without the following procedural safeguards:

(i) A written statement of the alleged violation(s) shall be provided to any Owner against whom such charges are made and such written statement shall include the potential fine to be imposed;

(ii) Within thirty (30) days, the violator must request in writing a hearing to challenge the alleged violation;

(iii) At such hearing the board shall hear the charges and evaluate the evidence of the alleged violation, and the Owner so charged shall have the right to present oral and written evidence and be represented by legal counsel, if Owner so desires;

(iv) The Board shall have delivered by first-class mail to the Owner so charged within seven (7) days after the hearing, a written decision which specifies the fines or penalties levied, if any, and the reasons therefor;

(v) If the alleged violator does not request a hearing within the thirty (30) day period, the Board may impose a fine or penalty immediately.

(d) In the event that an Owner shall correct an alleged violation and notify the Board or its agent of such correction within the thirty (30) day period, the Board shall discontinue the proceedings.

Proposed Change to Article III, Sections 13(c) and (d) of the Bylaws

Article III, Section 13(c) is amended in its entirety to read:

(c) The Board may conduct compliance and disciplinary proceedings and impose lawful monetary penalties only as authorized by the Governing Documents, a duly adopted Enforcement Policy and Schedule of Monetary Penalties, and applicable law, including Civil Code sections 5850 and 5855, as amended or renumbered. The Association shall

provide notice, a meaningful opportunity to be heard, an opportunity to cure when required by law, written notice of its decision, and access to Internal Dispute Resolution to the extent required by applicable law. No procedure in these Bylaws authorizes discipline that is barred by law or the imposition of a monetary penalty exceeding a statutory limit or exception.

Article III, Section 13(d) is amended in its entirety to read:

(d) The effect of a member's timely correction of an alleged violation, or a legally sufficient commitment to correct an alleged violation, shall be determined in accordance with Civil Code section 5855 and other applicable law. The Association shall not impose discipline where prohibited by those provisions.

PART THREE - BYLAW COMPONENT B-3

Update scheduling of member-requested special meetings

Current Article IV, Section 3 of the Bylaws

Article IV, Section 3 currently reads as follows:

Section 3: Special Meetings (Amended by the members at adjourned annual meeting on November 20, 1990.)

Special meetings of the Members may be called by the Board upon the vote of a majority of the quorum of the members of the Board, or upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association. Upon request in writing to the Chairman of the Board, President, Vice President or Secretary by any person (other than the Board) entitled to call a special meeting of the Members, the officer shall cause notice to be given to the Members entitled to vote that a meeting will be held at a time fixed not less than thirty-five (35) days nor more than ninety (90) days after the receipt of the request.

Proposed Change to Article IV, Section 3 of the Bylaws

Article IV, Section 3 of the Amended and Restated Bylaws is amended in its entirety to read:

Section 3. Special Meetings. Special meetings of the Members may be called by the Board of Directors upon approval of a majority of a quorum of the Board, or by written request signed by Members representing at least five percent (5%) of the total voting power of the Association, or by any other person entitled to call such a meeting under applicable law or the Governing Documents. Upon receipt of a proper written request addressed to the Board President, Vice President, or Secretary by a person other than the Board who is entitled to call a special meeting, the Association shall give notice to the Members entitled to vote of a meeting to be held at a time fixed by the Board not less than thirty-five (35) days nor more than one hundred fifty (150) days after receipt of the request, as provided by Corporations Code section 7511(c), as amended or renumbered. The Association shall otherwise comply with the applicable notice and meeting requirements of law and the Declaration.

PART FOUR - BYLAW COMPONENT B-4

Modernize notice of membership meetings

Current Article IV, Section 4 of the Bylaws

Article IV, Section 4 currently reads as follows:

> **Section 4: Notice of Meetings (Amended by the members at adjourned annual meeting on November 20, 1990.)**
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> Written notice of special meetings shall be given to each member entitled to vote, either personally or by mail, to his address appearing on the books of the Association, or supplied by him to the Association for the purpose of notice. All such notices shall be sent to each Member entitled thereto not less than twenty (20) days nor more than ninety (90) days before each meeting if notice is given by bulk rate or other type of mail other than first class, and shall specify the place, the date and time of such meeting, and: (1) in the case of a special meeting, the general nature of the business to be transacted; or (2) in the case of the annual meeting, those matters which the Board, at the time the notice is given, intends to present for action by the Members.

Proposed Change to Article IV, Section 4 of the Bylaws

Article IV, Section 4 of the Amended and Restated Bylaws is amended in its entirety to read:

> Section 4. Notice of Meetings. Notice of annual and special meetings of Members shall be delivered to each Member entitled to notice in compliance with Corporations Code section 7511 and other applicable law. Except where another notice period is required by law or the Declaration, notice shall be given not less than ten (10) nor more than ninety (90) days before the meeting; if mailed other than by first class, registered, or certified mail, notice shall be given at least twenty (20) days before the meeting. The notice shall state the place, date, and time of the meeting and any remote participation information required by law. A special meeting notice shall state the general nature of the business to be transacted; an annual meeting notice shall state the matters the Board intends to present for Member action, together with any other information required by law. Separate election and secret ballot notices shall comply with Civil Code sections 5100 through 5145, as applicable.

PART FIVE - BYLAW COMPONENT B-5

Modernize written ballots and secret-ballot elections

Current Article IV, Section 6(a) of the Bylaws

Article IV, Section 6(a) currently reads as follows:

> (a) The Association must distribute a written ballot to every member entitled to vote on the matter which shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide the time within which to return the ballot to the Association, which shall be not less than fifteen (15) days from the date that the written ballot is distributed to the Members;

Current Article IV, Section 6(e) of the Bylaws

There is no existing Section 6(e) in the 1991 Bylaws; the proposed subsection would be new.

Proposed Change to Article IV, Section 6(a), and Added Section 6(e) of the Bylaws

Article IV, Section 6(a) of the Amended and Restated Bylaws is amended in its entirety to read:

> (a) Except where a different period is required by applicable law, whenever Member action is submitted to written ballot without a meeting, the Association shall distribute a ballot to every Member entitled to vote, stating the proposed action, allowing approval or disapproval, and stating the return deadline. For elections and other matters governed by Civil Code section 5100, written secret ballots shall be distributed at least thirty (30) days before the voting deadline, as required by Civil Code section 5115(c). For other written ballots, the minimum return period remains fifteen (15) days unless applicable law requires more. The distribution, return, quorum, and tabulation of ballots shall comply with Corporations Code section 7513 and other applicable law.

Article IV, Section 6 is further amended to add the following subsection (e):

> (e) Elections and other Member votes required by Civil Code section 5100, including director elections and amendments to the Governing Documents, shall be conducted by secret ballot in accordance with Civil Code sections 5100 through 5145 and the Association's lawful Election Rules. Written ballots shall use the confidentiality and two envelope procedures required by law. The text of a proposed Governing Document amendment shall be delivered with the ballot as required by Civil Code section 5115(g). Nothing herein changes existing cumulative voting rights, quorum rules, or Member approval thresholds.

PART SIX - BYLAW COMPONENT B-6

Simplify procedures for capital-improvement proposals

Current Article V, Section 1(o) (1997 Member-Approved Amendment) of the Bylaws

Article V, Section 1(o), adopted in September 1997, currently reads as follows:

> To respond to proposals for capital improvements, either by a Director or by interested homeowners, by observing the following procedures in the disposition of any such proposal whose estimated cost is in excess of ten thousand dollars ($10,000.00):
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> 1. If the proposal is judged by a majority of the Board of Directors to be feasible, the President shall appoint a committee composed of interested members of the Association, the numbers to be determined by the President. The task of this committee shall be to prepare a written report upon the nature, cost, feasibility, impact and need of the proposed improvement. In describing the nature of the improvement, the report should present all necessary plans, drawings, blueprints, etc. In describing the cost, the report should present at least three bids from legitimate firms for the construction of the improvement; it should also present a documented estimate of the long-range costs of operating and maintaining the improvement. In describing the feasibility and impact of the improvement, the report should indicate all possible locations for its construction; it

should also contain arguments for or against the desirability of each of the proposed locations, with special attention to the impact of each location upon those living on neighboring lots. In describing the need of the improvement, the report should indicate what purpose the improvement is supposed to serve, why the present facilities are inadequate to serve that purpose, how the proposed improvement shall fulfill that purpose, and so on. The written report shall be submitted to the Board within a period not exceeding ninety (90) days from the date of the appointment of the committee. If no such report is submitted by the end of this period, the committee shall be considered dissolved and the matter closed.

2) Upon receipt of the written report, the Board, along with the Architectural Committee, shall judge its adequacy. The Board, may at this time request whatever revisions, supplementary information, etc., it deems necessary. These revisions must be submitted within a period of no longer that thirty (30) days after the Board's request for such revisions. If the requested revisions are not submitted by the end of this period, the committee shall be considered dissolved and the matter closed. The acceptance of the adequacy of the written report shall be determined by a majority of the Board. Until such a majority vote is obtained, no further action on the proposal may be taken.

3) Upon voting its acceptance of the adequacy of the written report, the Board shall then request those parties supporting the proposed improvement to circulate a petition in support of the improvement. The wording of the petition shall be determined by the majority vote of the Board and must include a statement of estimated costs of the improvement. Those parties circulating the petition must return it to the Board within a period of no more than thirty (30) days from the date of the Board's vote on the petition's wording. If by the end of this period the petition is not signed by at least ten percent (10%) of the Association's voting membership the matter shall be considered closed.

4) Upon receipt of the petition signed by not less than ten percent (10%) of the Association's voting membership, and after verification of the signatures, the Board shall be obligated to take the following steps:

a) The Board shall determine by a vote which of the following funding methods for improvement would be appropriate and in the best interests of the Association: (1) by long/short range financing, or (2) by drawing upon the Association's reserves, or (3) by special assessment of the membership.

b) If the Board determines that either No. 1 or 2 of subsection (a) above would be an appropriate means of funding, the Board shall then submit to the Association's membership, in the form of a mail ballot, the question of whether to fund and otherwise carry out the proposed improvement. Accompanying this ballot shall be a statement prepared and approved by the Board describing both the short and long range costs of the improvement and other pro and con arguments related to the proposal. The proposal shall be considered approved only if at least fifty one percent (51 %) of the Association's voting membership has returned ballots with affirmative votes to the Association no later than sixty (60) days after the date the ballots are mailed to the members. The Board shall take all reasonable steps to secure the greatest possible returns of the ballots. All signatures on all returned ballots shall be verified.

c) If the Board determines that No. 3 of subsection (a) above would be an appropriate means of funding the improvement, the Board, in accordance with Article VI, Section 4, of the Declaration, shall call a Special Meeting of the Membership. The calling of the

meeting shall be governed by procedures described in Article X of the Declaration ("Special Meetings"). For the purpose of such meetings, a quorum is constituted by the presence, in person, or by proxy, of more than fifty percent (50%) of the voting membership.

5) Upon approval of funding by the membership of the Association, as well as approval by the Architectural Committee in accordance with Article VII of the Declaration, the Board is authorized to proceed with the construction or installation of the capital improvement.

Proposed Change to Article V, Section 1(o) of the Bylaws

Paragraph (o) of Article V, Section 1 of the Amended and Restated Bylaws, as added or amended by the member-approved amendments dated September 16, 1997, is amended in its entirety to read:

(o) Capital Improvement Procedures. For any proposed capital improvement having an estimated cost in excess of ten thousand dollars ($10,000), the Board shall first determine the proposal's feasibility and prepare a written description addressing its purpose, estimated construction cost, reasonably anticipated ongoing costs, proposed funding method, and material effects on neighboring Lots or Common Area. The Board may obtain bids and additional technical information appropriate to the project, but need not appoint a separate homeowner committee or require a fixed number of bids, a preliminary ten percent (10%) Member petition, or the former committee report and revision deadlines.

Before proceeding, the Board shall determine whether the improvement would be funded by financing, reserve expenditures, or a special assessment. If funded through borrowing or reserve expenditures, the proposed improvement and funding shall be submitted to the membership for approval by affirmative votes of not less than fifty-one percent (51%) of the Association's total voting membership, as required by the September 1997 member approved procedures. If funded by a special assessment, the procedures and Member approval required by Article VI, Section 4 of the Declaration and applicable law shall apply; this amendment does not expand the authority to impose special assessments.

Any required Member vote shall use applicable secret ballot procedures. Construction or installation shall not begin until the required Member funding approval and architectural approval, if applicable, have been obtained. Nothing herein changes the existing expenditure, borrowing, or emergency restrictions of Article V, Section 1(m) or (n), or changes any otherwise applicable Member approval threshold.

PART SEVEN - BYLAW COMPONENT B-7

Clarify director terms and staggered elections

Current Article V, Section 3 of the Bylaws

Article V, Section 3 currently reads as follows:

> **Section 3: Election and Term of Office**
>
> Directors shall be elected at each annual meeting of members to succeed directors whose terms shall have expired, but if any such annual meeting Is not held, or If the directors are not elected thereat, the directors may be elected at any special meeting of members held for that purpose. At the first annual meeting following the adoption of these Restated By-laws, the three directors who shall receive the highest number of votes cast thereat shall hold office for two years and the remaining four directors shall hold office for one year. Thereafter, at each annual meeting the three directors elected thereat who receive the highest number of votes cast thereat shall hold office for two years and the remaining director elected thereat shall hold office for one year. For purposes of this section, the term "year" shall have reference to the period of time between successive annual meetings.

Proposed Change to Article V, Section 3 of the Bylaws

Article V, Section 3 of the Amended and Restated Bylaws is amended in its entirety to read:

> Section 3. Election and Term of Office. Directors shall be elected at each annual meeting of Members to succeed directors whose terms have expired. If an annual meeting is not held, or if directors are not elected at that meeting, the directors may be elected at a special meeting of Members held for that purpose. Each director elected to a full term shall serve for two (2) years, or until a qualified successor is elected, unless the director sooner resigns, is removed, or becomes disqualified. Director terms shall be staggered. To establish and maintain staggered terms, at the first annual meeting following adoption of this amendment, the four (4) director positions then due for election shall be filled for two-year terms. At the following annual meeting, the three (3) remaining positions shall be filled for two-year terms. This four-position/three-position staggered election cycle shall continue in alternating years. No incumbent director's existing elected term shall be shortened or extended by this amendment. If a seat becomes vacant by resignation, removal, or disqualification, a director appointed to fill the vacancy under Article V, Section 4 shall serve the remainder of that seat's term or until a qualified successor is elected, consistent with applicable law. For purposes of this Section, the term "year" means the period between successive annual meetings of Members.

PART EIGHT - BYLAW COMPONENT B-8

Eliminate general written-consent action by the Board

Current Article V, Section 13 of the Bylaws

Article V, Section 13 currently reads as follows:

> **Section 13: Consent of Board Obviating Necessity of Meeting**
>
> Notwithstanding anything to the contrary contained in the By-laws 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 shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

Proposed Change to Article V, Section 13 of the Bylaws

Article V, Section 13 of the Amended and Restated Bylaws is amended in its entirety to read:

> Section 13. Board Action Only at Meetings; Statutory Emergency Exception. Except to the extent expressly permitted by applicable law, the Board shall not take action on any item of Association business outside a duly convened Board meeting conducted in compliance with the Davis-Stirling Open Meeting Act. The Board shall not conduct a meeting through a series of electronic transmissions, including electronic mail, except as expressly permitted for an emergency Board meeting under Civil Code sections 4910 and 4923, as amended or renumbered. Where the applicable emergency requirements are satisfied, electronic transmissions may be used if all directors individually or collectively consent in writing and the written consent or consents are filed with the Board meeting minutes. The general written consent power otherwise available under Corporations Code section 7211 shall not independently authorize Board action prohibited by Civil Code section 4910.

PART NINE - BYLAW COMPONENT B-9

Clarify approval threshold for future Bylaw amendments

Current Article VIII, Section 1 of the Bylaws

Article VIII, Section 1 currently reads as follows:

> **Section 1: Powers of the Members**
>
> The By-laws of this Association may be adopted, amended or repealed at a meeting duly called for said purpose by the vote of a majority of the voting power represented at said meeting. Any such proposed amendment shall be submitted to each member together with the advance notice of said meeting.

Proposed Change to Article VIII, Section 1 of the Bylaws

Article VIII, Section 1 of the Amended and Restated Bylaws is amended in its entirety to read:

> Section 1. Powers of the Members; Approval Required. The Bylaws may be adopted, amended, or repealed at a meeting duly called for that purpose by the affirmative vote of a majority of the voting power represented at the meeting, provided the quorum then required under Article IV of these Bylaws and applicable law is present, and subject to any greater approval required by the Articles of Incorporation, Declaration, or applicable law. If a proposed Bylaw amendment is submitted by secret ballot without a meeting, the quorum and approval requirements applicable to that action shall be satisfied in accordance with these Bylaws, Corporations Code section 7513, and Civil Code sections 5100 through 5145. This Section clarifies the existing approval requirement without increasing or decreasing the existing Member approval threshold or amending the quorum rules elsewhere in these Bylaws.