

**BYLAWS
OF
SUGAR BOWL MEADOWS TOWNHOMES OWNERS' ASSOCIATION**

SECTION 1: NAME AND LOCATION

1.01. The name of the association is Sugar Bowl Meadows Townhomes Owners' Association ("Association"). The principal office of the Association shall be in Placer County, California.

SECTION 2: DEFINITIONS

2.01. The definitions contained in the recorded Declaration of Covenants, Conditions, and Restrictions of The Meadows (herein referred to as the "Declaration") are applicable to the Property and are incorporated herein by reference.

SECTION 3: MEMBERS MEETINGS

3.01. Annual Meeting. The first meeting of the Members, whether a regular or special meeting, shall be held no later than six months after the close of escrow on the sale of the first Lot in the Project. The next annual meeting shall be set by the Board. Subsequent regular annual meetings of the Members shall be held within 30 days of the same day of the same month of each year thereafter. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following, which is not a legal holiday (excluding Saturday and Sunday).

3.02. Special Meetings. A special meeting of the Members of the Association shall be promptly scheduled by the Board in response to:

- a) The vote of the Board itself; or,
- b) Written request for a special meeting signed by Members representing at least 5% of the total voting power of the Association.

Such special meeting shall be held at a time fixed by the Board not less than 35 nor more than 90 days after receipt of the request.

3.03. Notice and Place of Meeting. Written notice of each meeting of the Members shall be given to Members by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten days but not more than ninety days before the date of such meeting at which Members are required or permitted to take any action. The notice shall be sent to each first mortgagee requesting notice and to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the nature of the business to be transacted, and that no other business may be transacted. In the case of a regular meeting, such notice shall include those matters which the Board, at the time the notice is given, intends to

present for action by the Members. However, any proper matter may be presented at a regular meeting for such action. The notice of any meeting at which a Director is to be elected shall include the names of all nominees at the time the notice is given. The Board shall specify the meeting place, which shall be held within the Project or as close thereto as reasonably possible.

Unless unusual conditions exist, Members meetings shall not be held outside of the county in which the Project is situated.

3.04. Quorum. The presence either in person or by proxy, at any meeting, of Members entitled to cast at least a majority of the votes of Members, shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws. The Members present at a duly called or held 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. This Section and the Section below, entitled "Adjourned Meetings", do not apply to the quorum requirements for the imposition of regular and special assessments. Said quorum requirements are set forth in Section 8 of the Declaration.

3.05. Adjourned Meetings. If a quorum is not present or represented at any meeting, a majority of the Members entitled to vote thereat may, unless otherwise provided by law, adjourn the meeting to a time not less than five days nor more than thirty days from the original meeting date, at which meeting the quorum requirements shall be at least 33-1/3% of the total voting power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to the Members as set forth in Section 3.03.

3.06. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Except for an irrevocable proxy permitted by Corporations Code Section 7613(d), every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot, or upon receipt of notice by the Secretary of the Board of the death or judicially declared incompetence of such Member prior to the counting of the vote. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy, other than an irrevocable proxy permitted by Corporations Code Section 7613(d), shall be three years from the date of execution. Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

3.07. Classes of Membership and Voting. The Association shall have two classes of voting Members:

Class A. Class A Members shall be all Owners except Declarant and shall be entitled to one vote for each Lot owned. When more than one person or entity owns a Lot, all such persons and entities shall be Members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant and shall be entitled to three votes for each Lot owned.

3.08. Termination of Class B Membership. The Class B membership shall be irreversibly converted to Class A membership on the occurrence of whichever of the following events is first in time:

- a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B Member, or,
- b) Not later than the second anniversary of the first conveyance of a Lot in the Project pursuant to a Final Public Report.

Voting rights attributable to Lots shall not vest until assessments against those Lots have been levied by the Association.

3.09. Action Without Meeting. Any action which may be taken by the vote of Members at a regular or special meeting, other than the election of Directors where cumulative voting is required, may be taken without a meeting if done in compliance with Corporations Code Section 7513. If an action is taken without a meeting, the Board shall distribute a written ballot to every Member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of such proposal, and provide a reasonable time within which to return the ballot to the Association. All such written ballots shall be filed with the secretary of the Association and maintained in the Association's records. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

3.10. Conduct of Members Meetings. Meetings of the membership of the Association shall be conducted in accordance with the provisions of Section 1363 of the Civil Code.

SECTION 4: BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE

4.01. Number. The affairs of this Association shall be managed by a Board of three directors who need not be Members of the Association. The first directors shall be appointed by Declarant to serve prior to the first general membership meeting and election.

4.02. Term of Office. At the first meeting of the Association the Members shall elect all three directors for a term of one year and at each annual meeting thereafter the Members shall elect directors to replace those whose terms have expired for successive terms of one year.

4.03. Removal. Unless the entire Board is removed from office by the vote of Members of the Association, an individual director shall not be removed prior to the expiration of his term of office if the votes cast against that director's removal would be sufficient to elect such 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 director's most recent election were then being elected. A director who was elected solely by the votes of Members other than Declarant may be removed from office prior to the expiration of that director's term only by the votes of a simple majority of Members other than Declarant.

4.04. Vacancies by Death, Resignation or Removal. In the event of the death or resignation of a director, a successor director shall be selected by a majority of the remaining Members of the Board or by a sole remaining director, and shall serve for the unexpired term of his predecessor; provided that the successor of a director who was elected by Members of the Association other than the Declarant shall be elected by a vote of Members other than the Declarant. In the event of the removal of a director, a successor director shall be elected as prescribed in Section 5.02.

4.05. Indemnification of Officers and Directors. Each director, officer and committee member shall be indemnified by the Association and the Members against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon such person by judgment or settlement in connection with any proceeding to which such person may be a party, or may become involved, by reason of being or having been a director, officer or committee member of the Association, so long as such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. In this regard, the provisions of Corporations Code Section 7237 shall apply in their entirety.

SECTION 5: NOMINATION AND ELECTION OF DIRECTORS

5.01. Nomination. Nomination for election to the Board shall be made by a "nominating committee". Notice to the Members of the meeting shall include the names of all those who are nominees at the time the notice is sent. 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 or more Members of the Association. The nominating committee shall be appointed by the Board not less than thirty days prior to each annual meeting of the Members, to serve until the close of such annual meeting. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among nonmembers. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

5.02. Election of Board. The first election of the Board shall be conducted at the first meeting of the Association. All positions on the Board shall be filled at that election.

Voting for the Board shall be by secret written ballot. Cumulative voting in the election of Board Members shall be prescribed for all elections in which more than two positions on the Board are to be filled, subject only to the procedural prerequisites for cumulative voting prescribed in Section 7615 of the Corporations Code.

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 outstanding classes of membership in the Association, not less than 33 1/3% of the incumbents on the Board shall be elected solely by the votes of Owners other than the Declarant, in accordance with the following procedure: The collected ballots shall be segregated between ballots cast by Declarant, and ballots cast by other Members. The ballots received from other Members shall be counted first, and

the person receiving the greatest number of votes from such Members shall be elected to the Board.

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The votes of the Declarant shall then be added to the totals and the persons receiving the highest number of votes (other than the person already elected) shall be elected to the remaining positions on the Board.

A Board Member who has been elected to office solely by the votes of Members of the Association other than the Declarant may be removed from office prior to the expiration of such Board Members term of office only by the vote of at least a simple majority of the voting power residing in Members other than the Declarant.

SECTION 6: MEETINGS OF DIRECTORS

6.01. Regular Meetings. Regular meetings of the Board shall be held quarterly at such place within the Project, 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, excluding Saturday and Sunday. Notice of the time and place of such meeting shall be posted at a prominent place or places within the Common Area and shall be communicated to the Board members not less than four days prior to the meeting. However, notice of a meeting need not be given to Board members who have signed a waiver of notice or a written consent to the holding of the meeting. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board shall communicate the notice of the time and place of such meeting by any means it deems appropriate. As used in this Section 6, "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session, referenced elsewhere in this Section 6.

6.02. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the president of the Association, or by any two directors other than the president. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all Directors and posted at a prominent place or places within the Common Area or communicated to all Members in the same manner required for notice of regular meetings not less than four days prior to the scheduled time of the meeting, provided that notice of the meeting need not be given to Board members who have signed a waiver of notice or a written consent to the holding of the meeting.

6.03. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

6.04. Emergency Meetings. An emergency meeting of the Board may be called by the president of the Association or by any two members of the Board, other than the president, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impractical to provide notice as required in this section.

6.05. Notice to Members. Members shall be given notice of the

time and place of any Board meeting, except for an emergency meeting, at least four days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot or Unit in the Project, or by newsletter or similar means of communication. For purposes of the notice requirements, a "meeting" of the Board includes any congregation of a majority of the members of the

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Board at the same time and place to hear, discuss or deliberate upon any item of business scheduled to be heard by the Board except those matters that may be discussed in executive session.

6.06. Open Meetings. Regular and special meetings of the Board shall be open to all Members of the Association, except for meetings of the Board held in executive session. A reasonable time limit for all Members of the Association to speak to the Board or before a meeting of the Association shall be established by the Board. This authority to speak shall not apply to Executive Session referenced below.

6.07. Executive Session. The Board may, with the approval of a majority of its members present at a meeting in which a quorum for the transaction of business has been established, 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, disciplinary matters, and orders of business of a similar nature. If requested by a Member who may be subject to a fine, penalty or other form of discipline imposed by the Association, the Board shall meet in executive session; and the Member shall be entitled to attend the executive session. The nature of any and all business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the minutes of the Board.

6.08. Action Without Meeting. The Board may take actions without a meeting if all of its members consent in writing to the action to be taken.

If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three days after the written consents of all Board members have been obtained.

6.09. Schedule of Monetary Penalties. The Board shall adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for violations of the governing documents. The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule in effect.

6.10. Minutes of Meetings of Directors. 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, other than an executive session, shall be available to Members within thirty days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs for making that distribution.

Members of the Association shall be notified in writing at the time that the pro forma budget required in Civil Code Section 1365 is distributed, or at the time of any general mailing to the

entire membership of the Association, of their right to have copies of the minutes of meetings of the Board, and how and where those minutes may be obtained.

SECTION 7: OFFICERS AND THEIR DUTIES

7.01. Enumeration and Term. The officers of this Association shall be a president and vice-president, who shall at all times be Members of the Board; a secretary; a chief financial officer; and, such other officers as the Board may from time to time by resolution create, who may or may not be Members of the Board. Each officer shall be elected annually by the Board and each shall hold office for one year unless such officer shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

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

7.03. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

7.04. Resignation and Removal. Any officer may be removed from office (but not from the Board, if such officer is also a Board Member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

7.05. Filling 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 replaced officer.

7.06. Multiple Offices. The offices of secretary and chief financial officer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to the section on "Special Appointments" in this Section.

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

a) President: The president shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision duties and control of the business and the officers of the Association. The president shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and, shall be designated as one of the officers authorized to co-sign all checks and promissory notes.

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 such powers and discharge such duties as may be required of the vice president by the Board.

c) Secretary: The secretary shall record the votes and keep at the principal office of the Association the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep at the

principal office of the Association 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) Chief Financial Officer: The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall be designated as one of the officers authorized to co-sign all checks and promissory notes of the Association; and, shall keep proper books of account.

SECTION 8: COMMITTEES

8.01. The Board shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purposes. Chairpersons shall serve at the pleasure of the president, and Members of committees shall serve at the

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pleasure of the chairperson of each respective committee. All committees shall keep written minutes of their proceedings, report their proceedings to the Board, and file their minutes with the secretary.

SECTION 9: BOOKS AND RECORDS

9.01. Inspection by Members. The membership register (including names, addresses and telephone numbers), books of account and minutes of meetings of the Members, of the Board and of committees, shall be made available for inspection and copying by any Member of the Association, or by the Member's duly appointed representative, at any reasonable time and for a purpose reasonably related to the Member's interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

Minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than an executive session, shall be available to Members within thirty days of the meeting and shall be distributed to only Members upon the request and payment of the fee prescribed in Section 9.02 (c).

At the time the Association's pro forma operating budget is distributed as required by Section 10.03 of the Declaration, or at the time of any general mailing, Members of the Association shall be notified in writing of their right to have copies of the minutes of meetings of the Board and as to how, at what fee and where those minutes may be obtained and the cost of obtaining such copies.

9.02. Rules for 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.

9.03. 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 at the expense of the Association.

9.04. Review of Financial Records. The Board shall review on at least a quarterly basis a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget and an income and expense statement for the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts. For purposes herein, "reserve accounts" shall mean monies that the Association's Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

9.05. Reserve Account Withdrawal Restrictions. The Board shall require at least two signatures for the withdrawal of monies from the Association's reserve accounts, who either shall be Members of the Board or one Member of the Board and one officer who is not a Member of the Board.

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SECTION 10: ASSESSMENTS

10.01. As more fully provided in the Declaration, each Member is obligated to pay to the Association Regular Annual and Special Assessments which are secured by a lien upon the Lot against which the assessment is made. Assessments shall be delinquent and bear interest as provided in the Declaration. The Association may bring an action at law against the Owner personally obligated to pay the same or record a "Notice of Delinquent Assessment" and foreclose the lien against the Lot. Interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of a Lot.

SECTION 11: AMENDMENTS

11.01. Amendment of Bylaws. Prior to close of escrow on the sale of the first Lot, Declarant may amend these Bylaws. After sale of the first Lot, these Bylaws may be amended, at a regular or special meeting of the Members by the affirmative vote (in person or by proxy) or written consent of Members representing a majority of a quorum of the Association and a majority of the votes or written consent of Members other than the Declarant; or where the two class voting structure is still in effect, by vote of a majority of each class of Members. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

SECTION 12: DISCIPLINARY PROCEDURES

12.01. Notice and Hearing. Before disciplinary action authorized under Section 9.02 of the Declaration may be imposed by the Association, the Owner against whom such action is proposed to be taken shall be given notice and the opportunity to be heard in accordance with Section 7341 of the Corporations Code, as follows:

a) Notice. The Board shall give written notice to the Owner at least fifteen days prior to the meeting at which the Board will consider imposing disciplinary action. Such notice shall set forth those facts which the Board believes justify disciplinary action, and the date, time and place of the meeting. The notice shall be given personally to such Member or sent by first class

mail to the last address of such Member as shown on the records of the Association. The opportunity to address the Board may, at the election of such Member, be oral or in writing and shall occur not less than five days before the effective date of the imposition of fines, suspension of rights or other discipline. The Board shall meet in executive session if requested by the member being disciplined. If the Board imposes discipline on a Member, the Board shall provide the Member a written notification of the disciplinary action, by either personal delivery or first-class mail, within 15 days following the action.

b) Hearing. The hearing shall be conducted in the county in which the Project is located, at a place designated in the notice to the accused Member, by a committee composed of not less than three nor more than five Board Members. The hearing shall be presided over by the President, who shall perform the following duties:

i) Read the charges against the subject Member;

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ii) Require that the charges be verified by testimony of the person or persons making them;

iii) Hear any other witnesses against the subject Member;

iv) Allow the subject Member to cross-examine each witness following the testimony of that witness;

v) Allow the subject Member to make a statement in his or her own behalf;

vi) Allow the subject Member to call witnesses in his or her own behalf; and,

vii) Allow the Members of the committee conducting the hearing to question the witnesses after they have been questioned by the subject Member.

The committee conducting the hearing shall conduct the hearing in good faith and in a fair and reasonable manner. The committee shall have the exclusive power and authority to decide that the proposed disciplinary action not be imposed.

c) Decision. The committee shall notify the Owner in writing of its decision within three days of the hearing. The effective date of any disciplinary action imposed by the committee shall not be less than eight days after the date of said decision.

In the event Corporations Code Section 7341 is hereafter amended, the amendment will prevail over the provisions incorporated above.

SECTION 13: MISCELLANEOUS

13.01. Compensation. No director or officer shall receive compensation for any service he/she may render to the Association. However, any director or officer may be reimbursed for his/her actual expenses, if reasonable, incurred in the performance of his/her duties.

13.02. Fiscal Year. The fiscal year of the Association shall begin on the first day of October and end on the 30th day of September of every year, except that the first fiscal year shall begin on the close of escrow on the first sale of a Lot.

13.03. Interpretation. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws or the Articles, the Declaration shall control. In case any of these Bylaws conflict with the provisions of any California statute, the provisions of said statute shall control.

CERTIFICATION

I, the undersigned, the duly elected Secretary of Sugar Bowl Meadows Townhomes Owners' Association, a California corporation, do hereby certify that:

The within and foregoing Bylaws were adopted as the Bylaws of said corporation on _____, 2003, and that the same do now constitute the Bylaws of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation on _____, 2003.

Secretary