

**BY-LAWS OF
SWEETWATER RANCH HOMEOWNERS ASSOCIATION**

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BY-LAWS OF
SWEETWATER RANCH HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

Section 1. Name and Location. The name of the corporation is SWEETWATER RANCH HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at the Project in the unincorporated territory of 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 Sweetwater Ranch," recorded on April 20, 2007, as Instrument No. 2007-0268796, in the Official Records of Riverside County, California, and any subsequent amendments thereto. (Said Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements, and any subsequent amendments thereto, shall hereinafter collectively be 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

Section 1. Membership. Every person or entity who or which is an Owner, as defined in the Declaration, shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in any Lot in the Project merely as security for the performance of an obligation.

Section 2. Voting Rights. The Association shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners, with the exception of the Declarant until such time as Declarant's Class B membership expires, and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be

cast with respect to any Lot. The Association shall recognize the vote cast by a Co-Owner, unless another Co-Owner shall cast a conflicting vote, in which case, both votes shall be null and void, and not recognized by the Association. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Lot.

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned in the Project upon which the Declarant is then paying the appropriate monthly Assessments provided for hereinbelow. The Class B membership shall cease and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(1) The second anniversary of the first close of escrow for the sale of a Lot pursuant to the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Project;

(2) The fourth anniversary of the first close of an escrow for the sale of a Lot pursuant to the original issuance by the DRE of a Final Subdivision Public Report for the Project; or

(3) December 31, 2010.

Any action by the Association which must have the approval of the membership of the Association before being undertaken, shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A membership, so long as there are two (2) outstanding classes of membership, unless a specific provision of this Declaration or the By-Laws or Articles of the Association requires (i) the approval of a greater percentage of the voting membership, (ii) a vote by members other than Declarant, or (iii) a specific approval percentage of all the members. Notwithstanding the foregoing, any action by the Association pursuant to the Article contained in the Declaration entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Owners, other than Declarant. Declarant shall have the right at any time, and from time to time, to commence the payment of Regular Assessments on all Lots within a Phase prior to the first escrow therein in order to have the voting rights with respect to such Lots.

Section 3. Special Voting Procedures For Appointment to the Board. Notwithstanding any provision herein to the contrary, the Declarant shall be entitled to solely appoint a majority of the members of the Board until the first to occur of the following events:

(a) The election of the Board immediately following the close of escrow by Declarant of Ninety-Nine (99) Lots in the Project; or

(b) December 31, 2010.

In the event Declarant shall not have sold and closed escrows for at least Ninety-Nine (99) Lots by December 31, 2010, Declarant's right to elect a majority of the members of the Board shall be automatically extended until the aforesaid number of Lots have been sold, but in no event later than December 31, 2011.

Notwithstanding the foregoing, the Class A Members shall be entitled to elect at least one of the members of the Board, so long as there are two (2) classes of membership outstanding in the Association.

Section 4. Adjustment of Voting Rights. The voting rights in the Association shall be adjusted upon the annexation of a subsequent Phase, as provided for in the Declaration. Such adjustment shall become effective upon the first close of an escrow for the sale of a Lot in such Phase.

Section 5. Vesting of Voting Rights. The voting rights attributable to any given Lot in the Project, as provided for herein, shall not vest until the Assessments provided for in the Declaration have been levied by the Association against said Lot.

Section 6. Suspension of Voting Rights. As more particularly set forth in the Declaration in the Article entitled "General Provisions," the Board shall have the authority, among other things, to suspend the voting rights of any Member to vote at any meeting of the Members for any period during which such Owner is delinquent in the payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay the Assessments provided for in the Declaration.

Section 7. Transfer. The Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Lot, and the membership shall be automatically transferred upon the sale of such Lot. In the event of such sale, the Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot, or to the Mortgagee (or third-party purchaser) of such Lot upon a foreclosure sale, deed in lieu or other remedy set forth in the Mortgage. Any attempt to make a prohibited transfer is void and will not be reflected in the books and records of the Association. The Association may levy a reasonable transfer fee against new Owners and their Lots (which

fee shall be a Compliance Assessment chargeable to such new Owners) to reimburse the Association for the actual administrative cost of transferring the membership to the new Owners on the records of the Association.

Section 8. Ballots. Any election regarding assessments, the selection of members of the Board, amendments to the Declaration, By-Laws, Articles, or Rules and Regulations of the Association, or the grant of exclusive use of Common Area pursuant to Section 1363.07 of the California Civil Code shall be held by secret ballot in accordance with the procedures set forth in Section 1363.03 of the California Civil Code, as the same may be amended from time to time or replaced by a successor statute. Ballots and two pre-addressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to every Member not less than thirty (30) days prior to the deadline for voting. The Board shall adopt procedures for ensuring the confidentiality of voter absentee ballots, and the Association shall tabulate, report, record, and store ballots in accordance with Section 1363.07 of the California Civil Code.

Section 9. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (a) the conveyance by the Owner of his Lot; (b) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of issuance of the proxy; or (c) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy. Any form of proxy or written ballot distributed to the membership of the Association shall afford an Owner the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon at the meeting for which said proxy was distributed, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Owner specifies a choice, the vote shall be cast in accordance with that choice. In addition, the proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it shall be valid. Any instruction given in a proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the Member's vote by secret ballot.

Section 10. Determination of Record Date. In the event the Board does not fix a record date, the record date shall be determined in accordance with California Corporations Code Section 7611, as same may be amended, from time to time.

(a) For Notice. Except as otherwise provided in Subsection (b) below, the Board shall fix, in advance, a date as the record date for the purpose of determining the Members entitled to notice of any meeting of the Association at which Members are required or permitted to take action. Such record date shall not be more than ninety (90) days nor less than ten (10) days before the date of the meeting. If the Board fails to fix such record date, the record date for the purpose of determining the Members entitled to notice of any meeting of the Association shall be at 5:00 p.m. on the business day preceding the day on which notice is given. A determination of Members entitled to notice of a meeting of the Association shall apply to any adjournment of the meeting, unless the Board fixes a new record date for the adjourned meeting.

(b) To Vote. The record date for the purpose of voting shall not be more than sixty (60) days before the date of the meeting.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Organizational and Annual Meetings. Regular meetings of Members of the Association shall be held not less frequently than once each calendar year at the time and general location prescribed by these By-Laws. The Declarant shall hold the initial organizational meeting of the Association following incorporation of the Association. Thereafter, the first meeting of the Association, whether a regular or special meeting, shall be held no later than six (6) months after the closing of the first sale of a Lot in the Project. At such meetings there shall be elected, by ballot of the Members, a Board in accordance with the requirements herein. The Members may also transact such other business of the Association as may properly come before them.

Section 2. Special Meetings. A special meeting of the Members of the Association shall be promptly called by the Board upon:

(a) The vote for such meeting by a majority of a quorum of the Board; or

(b) Receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Association.

The Board shall cause the special meeting to be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of a resolution to hold such a meeting or receipt of the written request for said meeting.

No business shall be transacted at a special meeting except as stated in the notice, unless by consent of a quorum of the Owners present, either in person or by proxy.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting (i) personally, (ii) by mailing a copy of such notice by first class mail, postage prepaid, addressed to a Member at the address of the Member appearing in the books of the Association or given by the Member to the Association for purpose of notice, and if no such address appears or is given, the notice may be effectuated in a manner consistent with Corporations Code Section 7511(b), as may be amended from time to time, or (iii) posting the notice in a prominent place or places in the Common Area. Except in emergency situations, not less than ten (10) days nor more than ninety (90) days notice of any meeting at which Members are required or permitted to take action shall be provided 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, or in compliance with Corporations Code Section 7511(b). Such notice shall specify the place, day and hour of the meeting, those matters which the Board, at the time the notice is sent, intends to present for action by the Members, if any, and, in the case of a special meeting, the nature of the business to be undertaken at the meeting. Notwithstanding the foregoing, the Board shall comply with the notice and secret ballot procedures previously set forth in these By-Laws with respect to any election regarding assessments, the selection of members of the Board, amendments to the Declaration, By-Laws, Articles, or Rules and Regulations of the Association, or the grant of exclusive use Common Area pursuant to Section 1363.07 of the California Civil Code (e.g., ballots and two pre-addressed envelopes with instructions on how to return ballots must be mailed by first-class mail or delivered by the Association to every Member not less than thirty (30) days prior to the deadline for voting).

Section 4. Quorum. Except as may be otherwise required by the Declaration, the presence, in person or by proxy, of Owners holding at least fifty-one percent (51%) of the voting power of the Association shall constitute a quorum for the transaction of business at all meetings. In the absence of a quorum at a Members' meeting, a majority of those present, in person or by proxy, may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. Except as may otherwise be required pursuant to the Declaration herein, the quorum for such a meeting shall be at least twenty-five percent (25%), in person or by proxy, 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 Members in the manner prescribed for regular meetings.

Section 5. Action Without Meeting. Any action which may be taken by the vote of Members at any regular or special meeting, except an election which is required to comply with the secret ballot procedures set forth in these By-Laws and California Civil Code Section 1363.03, as the same may be amended from time to time or replaced by a successor statute, may be taken without a meeting if the Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association, pursuant to Section 7513 of the California Corporations Code, as such may be amended, from time to time. All such written ballots shall be filed with the Secretary of the Association and maintained in the corporate records. Approval by written ballot pursuant to this Section 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. All solicitations of ballots shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation shall specify the time by which the ballot must be received in order to be counted. A written ballot may not be revoked. Elections regarding assessments, the selection of members of the Board, amendments to the Declaration, By-Laws, Articles, or Rules and Regulations of the Association, or the grant of exclusive use of Common Area pursuant to Section 1363.07 of the California Civil Code must comply with the secret ballot procedures set forth in these By-Laws and California Civil Code Section 1363.03 and may not be held by written ballot under this Section.

Section 6. Meetings of the Members. The meetings of the Members shall be held at the Project or as close thereto as may be designated by the Board. All meetings shall be conducted in accordance with a recognized system of parliamentary procedure (e.g., Robert's Rules of Order) or such parliamentary procedures as the Association may adopt.

Section 7. Mortgagee Representation. First Mortgagees shall have the right to attend all meetings of Members through a representative designated in writing and delivered to the Board.

Section 8. Declarant's Representative. Commencing on the date on which Declarant no longer has an elected representative on the Board, and continuing until the date that is ten (10) years after the date of the last close of escrow in the Project, the

Declarant shall be entitled to have a representative ("Declarant's Representative") present at all meetings of the Members and the Board. For so long as Declarant's Representative is entitled to attend such meetings, the Association and/or Members, as appropriate, shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner/Member, and the Association shall provide Declarant's Representative with the minutes for the meetings of Owners, the Board and committees. The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board or any liability as a Board member. This Section may not be amended without the prior written approval of the Declarant, which approval may be withheld in Declarant's sole and absolute discretion.

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 five (5) Directors, each of whom, except for those appointed and serving as first Directors, must either be an Owner of a Lot in good standing with the Association or an authorized agent and representative of the Declarant, so long as Declarant owns a Lot in the Project or is entitled to annex Annexation Property to the Project pursuant to the Declaration. At such time as Declarant no longer owns any Lot in the Project, the Board may, by a majority vote and resolution, expand the qualifications for Board members to allow non-owners of Lots as Directors.

Section 2. Election and Term of Office.

At the first annual meeting of the Association, the Members shall elect the Directors in accordance with the provisions set forth herein. Except as otherwise provided by the Declarant's ability to appoint a majority of Directors as set forth in Article III, Section 3, the three (3) Directors receiving the highest number of votes (or appointment by Declarant) shall each be elected for a term of two (2) years, and the two (2) Directors receiving the next highest number of votes shall each be elected for a term of one (1) year. When the special appointment procedure of Article III, Section 3, is no longer applicable, this election procedure shall operate without any qualification. 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 successor Director shall be two (2) years to ensure a three member/two member staggered board of directors (e.g., two directors one year, and three directors the following year). 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, except as may otherwise be provided by law.

Section 3. Removal. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed, with or without cause, as provided herein, 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 Association Members, 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 Members of the Association, other than Declarant, may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members, other than Declarant.

Section 4. Vacancies. Vacancies on the Board caused by any reason, other than the removal of a Director by a vote of the Association, shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum, and each Director so elected shall serve for the remainder of the term of the Director he replaces. 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," in accordance with the secret ballot procedures set forth in these By-Laws and California Civil Code Section 1363.03.

Section 5. Compensation of Directors. No Director shall receive compensation for any service he may render to the Association, except as permitted under the Article contained in the Declaration entitled "Powers and Duties of the Association"; provided, however, that a Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board, other than the initial organizational meeting conducted by the Declarant, 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 Associa-

tion. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each 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 may be made from among Members or non-Members so long as the Class B membership exists. Thereafter, unless otherwise determined by a majority of the Board, nominations shall only be made from among Members.

Section 2. Election. Election to the Board shall be by secret written ballot at the annual meeting. At such election, the Members may cast, with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is required for all elections 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, as of the date these By-Laws were adopted, provides that no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's or candidates' names have been placed in nomination prior to the voting, and a Member has given notice at the meeting prior to the voting of said Member's intention to cumulate votes. If any one (1) Member has given such notice, all Members (including Declarant) shall have the right to cumulate votes and give one (1) candidate, or divide among any number of candidates, a number of votes equal to the total number of votes to which said Member is entitled to vote upon other matters multiplied by the number of Directors to be elected.

Section 3. 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 pursuant to an annual meeting, 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 members of the Board (i.e., one [1] director) shall be elected solely by the votes of Owners, other than the Declarant. The election of Directors shall be first held by the Members, other than Declarant, who shall elect the number of Directors to the Board which represents twenty percent (20%) of the Board (i.e., one [1] Director). Any Owner, with the exception of Declarant, shall be an eligible candidate for this special election. Such election shall comply with the secret ballot procedures set forth in these By-Laws and California Civil Code Section 1363.03. Subject to Article III, Section 3, the remaining Directors shall be elected in

accordance with the cumulative voting procedures established herein or in accordance with Article III, Section 3.

Section 4. Rules and Regulations. The Association shall adopt Rules and Regulations regarding the matters set forth in Civil Code Section 1363.03 [e.g., rules ensuring access to Association media, newsletters, internet websites, and Common Area meeting space during campaigns, rules specifying the voting periods for elections (including the times at which polls will open and close), rules specifying a method for selecting one or three independent third parties as inspectors, etc.].

ARTICLE VII

MEETINGS OF DIRECTORS

Section 1. Regular and Special Meetings. Regular meetings of the Board shall be held monthly, or as otherwise determined by the Board, but not less than twice a year, 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, or as otherwise determined by the Board. Notice of the time and place of a regular meeting shall be posted at a prominent place or places within the Project, and shall be mailed to any Owner who has requested notification of Board meetings by mail, at the address requested by the Owner, and may also be given by mail or delivery, or by newsletter or similar means of communication, 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 by the Board as provided 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' written notice by first class mail, or forty-eight (48) hours notice prior to the meeting in the case when 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. Notice of a special meeting, whether delivered personally to the Directors or sent to each Director by letter or 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 and mailed 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 except for such an amount of time determined reasonable, in accordance with the requirements of Civil Code Section 1363.05(i), as may be amended from time to time, by a vote of a majority of a quorum of the Board. The Board may, with the approval of a majority of the Board 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, Member discipline, matters that relate to the formation of contracts with third parties, litigation in which the Association is or may become involved, or to meet with a Member, upon the Member's request, regarding the Member's payment of assessments, as specified in Civil Code Section 1367 or 1367.1, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 2. Meetings of Directors. The meetings of the Directors shall be held at the Project or as may be designated by the Board.

Section 3. Rights of Members to Attend Board Meetings. Any Member of the Association may attend meetings of the Board, except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, Member discipline, personnel matters, to meet with a Member, upon the Member's request, regarding the Member's payment of assessments, as specified in Civil Code Section 1367 or 1367.1, or orders of business of a similar nature. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting of the Board that is open to all Members. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

Section 4. Minutes of Board Meetings. 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 (30) 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 by the Member of the Association's direct and actual costs in making that distribution (including copying, mailing, and redacting in accordance with Section 1365.2 and 1363.05 of the California Civil Code); provided, however, that the Association shall inform the Member of the estimated costs, and the Member shall agree to pay

those costs, before the Association copies and sends the requested documents to the Member.

Members of the Association shall be notified in writing at the time that the pro forma budget required in Section 1365 of the California Civil Code, as amended from time to time, 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. The minutes may be obtained in accordance with the provisions of the Article herein entitled "Inspection of Books and Records."

Section 5. Action Without Meeting. The Board may take any action without a meeting if all members of the Board unanimously consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take any such action, an explanation of the action taken shall be posted at a prominent place or places within the Project within three (3) days after the written consent of all Directors has been obtained.

Section 6. Conduct of Meetings. The President of the Association shall preside over all meetings of the Board held during the Board's term of office. In the event the President shall be absent from any meeting, said meeting shall be presided over by such other Director as may be elected by a majority of a quorum of the Directors. The Secretary of the Association shall act as Secretary of the Board, but in the event the Secretary shall be absent, the President or presiding Director may appoint any person to act as Secretary for the meeting.

Section 7. Quorum. A majority of the total number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or 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.

Section 8. Declarant's Representative. Commencing on the date on which Declarant no longer has an elected representative on the Board, and continuing until the date that is ten (10) years after the date of the last close of escrow in the Project, the Declarant shall be entitled to have a representative ("Declarant's Representative") present at all meetings of the Members and the Board. For so long as Declarant's Representative is entitled to attend such meetings, the Association and/or Members, as appropriate, shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner/Member, and the Association shall provide Declarant's Representative with the minutes for the meetings of Owners, the Board and committees. The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board or any liability as a Board member. This Section may not be amended without the prior written approval of

the Declarant, which approval may be withheld in Declarant's sole and absolute discretion.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. 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. Subject to the provisions of the Articles, the Declaration and these By-Laws, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations.

Section 2. Duties. The Board shall perform and execute, for and on behalf of the Association, all of the duties which have been delegated to the Association as set forth in the Article entitled "Powers and Duties of the Association" in the Declaration.

ARTICLE IX

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 or an authorized agent and representative of the Declarant, so long as Declarant owns a Lot in the Project or is entitled to annex Annexation Property to the Project pursuant to the Declaration. 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 Members of the Association and the 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 may be modified (e.g., assigned to a manager for the Project) by resolution of the Board.

(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 Members; 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 Members; keep appropriate current records showing the Members of the Association, together with their addresses; and 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; co-sign all checks and promissory notes of the Association; provided, however, that the authority to co-

sign all checks may be modified (e.g., assigned to a manager for the Project) by resolution of the Board; keep proper books of account; cause an annual audit of the Association books to be made by a certified public accountant, unless otherwise determined by the Board, at the completion of each fiscal year, as provided for in the Declaration; and cause to be prepared 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, except as permitted under the Article contained in the Declaration entitled "Powers and Duties of the Association"; provided, however, that an officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE X

OBLIGATIONS OF MEMBERS

Section 1. Assessments. All Members are obligated to pay, in accordance with the provisions of the Declaration, all Assessments imposed by the Association to meet all expenses of the Association. All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

Section 2. Repair and Maintenance. Every Member shall be responsible, at his sole cost and expense, for all maintenance and repair work on his Lot, including, but not limited to, all specific obligations and/or requirements set forth in the Declaration (e.g., the Article therein entitled "Repair and Maintenance").

ARTICLE XI

COMMITTEES

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

ARTICLE XII

INSPECTION OF BOOKS AND RECORDS

Section 1. Availability of Books and Records. Members of the Association shall have access to the Association's records

in accordance with Section 1365.2 of the California Civil Code and, to the extent not inconsistent with Section 1365.2 of the California Civil Code, Section 8330 et seq. of the California Corporations Code, as same may be amended from time to time or replaced by one or more successor statutes. The minutes (including proposed minutes for adoption or a summary of the minutes of any meeting of the Board, other than an executive session) shall be available to Members within thirty (30) days of such meeting. The minutes, proposed minutes or summary of the minutes shall be distributed to any Member upon request and upon reimbursement by the Member of the Association's direct and actual costs in making that distribution (including copying, mailing, and redacting in accordance with Section 1365.2 and 1363.05 of the California Civil Code); provided, however, that the Association shall inform the Member of the estimated costs, and the Member shall agree to pay those costs, before the Association copies and sends the requested documents to the Member. Members shall be notified in writing at the time that the pro forma budget required herein is distributed or at the time of any general mailing to the entire membership of their right to have copies of the minutes of meetings of the Board, and how and where those minutes may be obtained. All records, other than the minutes which a Member is entitled to inspect shall be provided within the timeframes specified in, and in accordance with, Section 1365.2 of the California Civil Code.

Section 2. 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 XIII

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 Common Area operated by the Association; (c) suspending said Member's voting privileges; (d) entering upon a Lot to make necessary repairs, or to perform maintenance which, according to the Declaration, is the responsibility of the Owner of such Lot, or (e) recording a notice of noncompliance encumbering the Lot of the Member. Any such suspension shall be for a period of time not exceeding thirty (30) days for any noncontinuing viola-

tion, 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 mail at least ten (10) 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; (c) a statement that the Member has the right to attend and may address the Board at the hearing; and (d) 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 (i.e., give written notice, by either personal delivery or first class mail, of the suspension, fine or condition, if any imposed by the Board) within fifteen (15) days after the hearing.

ARTICLE XIV

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 sixty-seven percent (67%) of the voting power of each class of Members. 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) Sixty-seven percent (67%) of the total voting power of the Association; and

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

Notwithstanding the foregoing, 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 XV

CORPORATE SEAL

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

SWEETWATER RANCH HOMEOWNERS ASSOCIATION

ARTICLE XVI

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. 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, or in such manner as, from time to time, shall be determined by resolution of the Board.

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 the individual Members, other than Declarant, and the first Mortgagees (based upon one [1] vote for each first Mortgage owned) as required by law. 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 SWEETWATER RANCH HOMEOWNERS ASSOCIATION, a California nonprofit, mutual benefit corporation; and

2. That the foregoing By-Laws, comprising 19 pages, constitute the original By-Laws of said Association, as duly adopted at the first meeting of the Board of Directors thereof duly held _____, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this _____ day of _____, 2007.

Secretary
SWEETWATER RANCH HOMEOWNERS
ASSOCIATION