

AMENDED AND RESTATED BYLAWS
OF
THE MEADOWS HOMES ASSOCIATION, INC.
a California non-profit mutual benefit corporation

ARTICLE I
PRINCIPAL OFFICE, COMMON FACILITIES AND COMMON AREAS

SECTION 1: The principal office of this Corporation shall be located at The Meadows, a planned development in the County of San Diego, State of California.

SECTION 2: Common Facilities belonging solely to this Corporation are the recreation facilities commonly referred to as the Meadows Community Center (“MCC”). These facilities include a swimming pool, a pavilion building, a combination bath house/pool equipment room and two tennis courts situated on a 4.07 acre parcel located within The Meadows planned development as shown on Exhibit “A” as Lot 179, Tract 3629-1, according to Map thereof No. 9488 as recorded in the San Diego County Recorder’s Office on December 12, 1979.

SECTION 3: Common Areas owned by this Corporation include the 4.07 acre parcel known as the Meadows Community Center and fourteen (13) private roads; namely, Lake Meadow Drive, Lake Meadow Lane, Red Stone Lane, Hamden Lane, Old Lantern Lane, Dogwood Lane, Glengarry Lane, Indian Creek Way, Galatea Lane (west end), Fallen Tree Lane, Wimbleton Lane, Kettering Lane and Glenmeade Way (south end). The Corporation has a forty (40) foot wide private road easement leading from Meadow Glen Way East to the Meadows Community Center swimming pool and tennis courts parking lots. These roads are all located within The Meadows planned development.

ARTICLE II
MEMBERSHIP

SECTION 1: REGULAR MEMBERS.

Each owner of an improved lot in the real property (tracts 4234, 5744, 7107, 7391 and 7653) located in the County of San Diego, State of California, more particularly described on Exhibit “B” attached hereto and made a part hereof and hereinafter referred to as the “Real Property”, shall be a Regular Member of this Corporation. The transfer of title to any such improved lot shall automatically transfer the regular membership appurtenant to such lot (“Regular Membership”) to the Transferee. In the event that any of such lots are owned by two or more persons, then such persons shall designate, in a writing to be filed with this Corporation, which of them holds the Regular Membership in this Corporation, and

in the absence of such designation, this Corporation may select which one of such persons is the holder of the Regular Membership in question.

SECTION 2: SPECIAL MEMBERS. Special annual memberships may be offered annually to homeowners who reside outside The Meadows planned development but within the Area Residence Organization (“ARO”) boundaries, i. e., northerly to, but not including Moosa Canyon; and easterly to, but not including Turner Lake and Valley Center; southerly to, but not including Jesmond Dene and North Broadway; and westerly including Rim Rock, to, but not including Welk Village and Champagne Village. Special Members will have the full use of the MCC facilities as long as their annual assessments are paid. Special Members will have no voting rights as accorded to Regular Members in Corporation matters. Nothing in this section is intended to grant said Special member any rights other than a license to use the MCC, subject to payment of assessments as set by the Board of Directors.

SECTION 3: TENNIS ONLY MEMBERS. Homeowners living outside The Meadows planned development and within ARO boundaries, as described in SECTION 2 above, may purchase an annual tennis only membership. They will have the use of the tennis courts only, subject to the rules published for tennis court users. Tennis Only Members will have no voting rights as accorded to Regular Members in Corporation matters.

ARTICLE III **REGULAR MEMBERSHIP FEES AND ASSESSMENTS**

SECTION 1. DETERMINATION OF REGULAR MEMBERSHIP FEES AND ASSESSMENTS. The Board of Directors of the Corporation ("Board of Directors" or "Board") shall fix and determine from time to time the fees and assessments to be paid by each Regular Member, the amount thereof to be the same for each Regular Member multiplied by the number of lots owned, subject to the limitations imposed by state law.

SECTION 2. LATE FEE AND ASSESSMENT LIENS/FEES AND ASSESSMENTS AS PERSONAL OBLIGATION OF REGULAR MEMBERS. The amount of each regular or special assessment plus any other charges thereon, such as late payment fees, interest when delinquent and cost of collection (including attorneys’ fees) if any, shall constitute and become a lien on the lot so assessed when the Board of Directors causes to be recorded with the County Recorder of San Diego County a notice of assessment which shall state the amount of such assessment and other fees imposed in accordance with Civil Code Section 1366, a legal description of the lot or other real property which has been assessed, the home of the record holder thereof, and the name and address of the trustee authorized by the Corporation to enforce the lien by foreclosure sale. Such notice shall be signed by the Secretary of the Corporation on behalf of the Corporation.

Each assessment, together with late payment fees, interest and costs (including, attorneys' fees) shall also be the personal obligation of the owner of the lot at the time when the assessment or any portion thereof fell due and shall bind his heirs, devisees, personal representatives, successors or

assigns. However, the personal obligation shall not pass to his successors in title unless expressly assumed by them. Upon payment of such assessment and charges in connection with which a notice has been so recorded, or other satisfaction thereof, the Board of Directors shall cause to be recorded further notice stating the satisfaction and the release of the lien thereof. After the expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the lien may be enforced by either a non-judicial trustee's sale or a sale by the court.

SECTION 3. EFFECT OF FAILURE TO PAY FEES AND ASSESSMENTS ON VOTING RIGHTS. The voting rights of any Regular Member who fails to pay any such Regular Membership fee or assessment in full promptly when due shall be automatically suspended during the continuance of any such delinquency. Voting right suspension will be for a period of no more than 30 days without the right of hearing before the Board of Directors. Voting right suspension shall terminate upon the payment of current and past due assessments, together with all additional charges.

SECTION 4: REGULAR ASSESSMENTS. The Board shall determine annually regular assessments to be paid by each lot owner for the purpose of operating, maintaining and repairing the Common Areas; paying the necessary expenditures of the Corporation as provided in these Bylaws and the Declaration of CC&Rs, and establishing an operating reserve fund and reserve for replacement all as set forth in the Declaration; provided that the Board may not impose a regular assessment that is more than twenty (20) percent greater than the regular assessment for the Corporation's preceding fiscal year without the approval of Regular Members, constituting a quorum, casting a majority of the votes or written assent at a meeting or election of the Corporation.

SECTION 5: SPECIAL ASSESSMENTS. In addition to the regular assessments authorized above, the Board may levy special assessments for the purpose of defraying, in whole or in part, the cost of any capital improvement of the Common Area and Common Facilities or such other purpose as may be determined by the Board; provided, that no special assessment shall exceed the aggregate during any fiscal year of the Corporation an amount equal to five (5) percent of the budgeted gross expenses of the Corporation for that fiscal year, without the approval of owners, constituting a quorum, casting a majority of votes or written assent at a meeting or an election of the Corporation.

ARTICLE IV **REGULAR MEMBERSHIP RIGHTS AND PRIVILEGES**

SECTION 1. USE OF FACILITIES BY REGULAR MEMBERS. Each Regular Member in good standing and all other persons living on the lot to which said membership is appurtenant and each Special Member in good standing shall be entitled to the right to use and enjoy, at his own risk, all of the facilities and property of this Corporation subject to the rules and regulations for such use, which may be adopted from time to time by the Board of Directors. Tennis Only Members may use and enjoy only the tennis courts of the MCC facility subject to the rules and regulations issued and posted for tennis court use.

SECTION 2. USE OF FACILITIES BY INVITEES AND GUESTS. The invitees and guests of Regular and Special Members shall have the right to use and enjoy the Common Areas and Common Facilities within the Real Property, as long as the guest or invitee is in the company and supervision of the Regular Member, or Special member, as appropriate, so long as the Regular Member or Special Member is in good standing. Any such guest or invitee shall be subject to the same obligations imposed on the Regular Member to observe the rules, restrictions, and regulations of the Corporation as set forth in the Governing Documents.

ARTICLE V
MEETINGS OF REGULAR MEMBERS

SECTION 1. PLACE OF MEETINGS. All meetings of Regular Members shall be held at a location convenient to the membership, as designated by the Board.

SECTION 2. ANNUAL MEETINGS OF REGULAR MEMBERS. The annual meetings of the Regular Members shall be held on the last Saturday of April at 3:00 p.m. of each year, provided that, should said day fall on a legal holiday, then such annual meeting of the Regular Members shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday.

Written notice of each such annual meeting shall be given to each Regular Member either personally or by sending a copy of the notice through First Class mail, to his/her address appearing on the books of the Corporation or supplied by him/her to the Corporation for the purpose of notice. If a Regular Member supplies no address, notice shall be deemed to have been given him/her if mailed to the place where the principal office of the Corporation is situated. All such notices shall be sent to each Regular Member not less than fourteen (14) days, and not more than 30 days, before each annual meeting, and shall specify the place, the day and hour of such meeting.

SECTION 3. SPECIAL MEETINGS. Special meetings of Regular Members, for any purpose or purposes whatsoever, may be called at any time by the President or by the Board of Directors, or by any two or more members thereof, or by ten percent (10%) or more of the Regular Members. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of Regular Members. Notices of any special meeting shall specify, in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

SECTION 4. ADJOURNED MEETINGS AND NOTICE THEREOF. Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the Regular Members present in person or represented by proxy, but in the absence of a quorum, no other business may be transacted at any such meeting.

When any membership meeting, either annual or special is adjourned, notice of reconvening the adjourned meeting shall be given as in the case of an original meeting.

SECTION 5. ENTRY OF NOTICE. Whenever any Regular Member has been absent from any meeting of the membership, whether annual or special, any entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Regular Member as required by law and the Bylaws of the Corporation.

SECTION 6. VOTING. At all meetings of Regular Members, each Regular Member shall be entitled to one vote for each improved lot owned by the Regular Member in said Real Property.

SECTION 7. QUORUM. The presence in person or by proxy of a majority of the membership votes entitled to vote at any meeting shall constitute a quorum for the transaction of business. The Regular 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 Regular Members to leave less than a quorum.

SECTION 8. ACTION WITHOUT MEETING. Any action, which under the provisions of the California Corporations Code, may be taken at a meeting of the Regular Members, may be taken without a meeting if authorized by a writing signed by a majority of the Regular Members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary of the Corporation.

SECTION 9. PROXIES. Every Regular Member entitled to vote or execute consent shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such Regular Member or his duly authorized agent and filed with the Secretary of the Corporation, provided that no such proxy shall be valid after the expiration of 11 months from the date of its execution, unless the Regular Member executing it specifies therein the length of time for which proxy is to continue in force, which in no case shall exceed three (3) years from the date of its execution. Any proxy may be revoked up to the time of any meeting by notifying the Secretary in writing.

ARTICLE VI DIRECTORS

SECTION 1. POWERS. Subject to limitations of the Articles of Incorporation, of the Bylaws, and of the California Corporations Code as to action to be authorized or approved by the Regular Members, and subject to the duties of Directors as prescribed by the Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors. Any management body or agent named by the Corporation shall be employed to manage only until the next succeeding annual election of Directors, at which time the same or another body or agent shall be elected by a majority of the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board of Directors shall have the following powers:

First: To select and remove all the other officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation, or the Bylaws, fix their compensation and require from them security for faithful service.

Second: To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation, or with the Bylaws as they may deem best.

Third: To change the principal office for the transaction of the business of the Corporation from one location to another within the same county; to designate any place within the State of California for the holding of any membership meeting or meetings except annual meetings; and to adopt, make and use a corporate seal, and to alter the form of such seal from time to time as in their judgment they may deem best, provided such seal shall, at all times, comply with the provisions of law.

Fourth: To borrow money and incur indebtedness not to exceed one hundred dollars (\$100.00) per Regular Member for the purpose of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor with the affirmative vote or written consent of a majority of those Regular Members present and not ineligible to vote pursuant to Article 3, Section 3. Any borrowing in excess of the above limit requires either an affirmative vote or written consent of a majority of the Regular membership present and not ineligible to vote pursuant to Article 3, Section 3..

Fifth: To manage, operate, maintain and repair all Real Property owned by the Corporation ("Common Areas"), together with all buildings, structures and other improvements thereon, including, by way of description and not by way of limitation, the following:

- (a) To contract and pay for fire, casualty, liability and other insurance insuring the Common Areas of the Real Property, including bonding of the members of any management body.
- (b) To pay all charges for water metered or charged to the Common Areas.
- (c) To provide and pay for appropriate lighting for all Common Areas.
- (d) To maintain, repair and paint the Common Areas and any improvements now or hereafter constructed thereon, together with the exterior walls, roofs and foundations of all buildings and structures now or hereafter constructed and to provide and pay for maintenance and/or janitorial service for the Common Areas.
- (e) To landscape, care for, maintain and water all planted areas within the Common Areas and those areas over which the Corporation holds easement rights to this effect.

- (f) To restore or replace any or all of said Common Area buildings, structures or improvements at any time and from time to time as the Board of Directors may determine desirable or necessary.
- (g) To enter into any of the buildings located in said Common Areas for the purpose of carrying out any of the powers or duties of the Board of Directors as herein set forth.
- (h) To contract and pay for maintenance, gardening, utilities, materials and supplies, and services relating to the Common Areas and to employ personnel necessary for the operation and maintenance of said Real Property, including legal and accounting services.
- (i) To pay any taxes and special assessments which are or would become a lien on said Real Property or on the Common Areas.
- (j) To delegate any of its powers hereunder except as limited by the provisions of Article IX, Section 1.

Sixth: To enforce the provisions of any Declaration of Covenants, Conditions and Restrictions (CC&R's) affecting the Real Property and to enforce each and every one of the provisions of these Bylaws or any other agreement to which this Corporation is a party.

SECTION 2. NUMBER AND QUALIFICATION OF DIRECTORS. The Board of Directors shall consist of nine (9) Directors until changed by this section of the Bylaws, adopted by the vote or written assent of Regular Members entitled to exercise a majority of the voting power. Directors must be Regular Members of the Corporation.

SECTION 3. ELECTION AND TERM OF OFFICE. Prior to each annual meeting, the President shall appoint a nominating committee which shall present a slate of nominees to replace those Directors whose terms are expiring. The President shall serve as a non-voting member of the nominating committee. The term of the office shall be two (2) years, except the initial election shall be for the election of three (3) Directors for one (1) year, three (3) Directors for two (2) years and three (3) Directors for three (3) years; thereafter, electing three (3) Directors each year for two (2) year terms.

SECTION 4. VACANCIES. Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, and each Director so appointed shall hold office until his successor is elected at an annual meeting of Regular Members, or at a special meeting called for that purpose.

First: Death, Resignation or Removal. A vacancy or vacancies shall be deemed to exist in case of death, resignation or removal of any Director, or if the Regular Members shall increase the authorized

number of Directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect the additional Directors so provided for, or in case the Regular Members fail at any time to select the full number of authorized Directors.

Second: Resignations; Successors; Effect of Reduction. If any Director tenders his/her resignation to the Board of Directors, the Board shall have the power to appoint a successor to take office at such time as the resignation shall become effective. No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his/her term of office.

SECTION 5. PLACE OF MEETING. All meetings of the Board of Directors shall be held at the principal office of the Corporation, or at any other place within the State of California designated at any time by resolution of the Board of Directors or by written consent of all the members of the Board.

SECTION 6. ORGANIZATION MEETING. Immediately following each annual meeting of Regular Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

SECTION 7. OTHER REGULAR MEETINGS. Other regular meetings of the Board of Directors shall be held monthly at a time and place set by the Board of Directors. Notice of all such regular meetings of the Board of Directors is hereby dispensed with.

SECTION 8. SPECIAL MEETINGS. Special meetings of the Board of Directors for any purpose or purposes shall be called at any time by the President, or if he is absent or unable or refuses to act, by any Vice President or by any two (2) Directors.

Written notice of the time and place of special meetings shall be delivered personally to each Director by First Class letter or telephone. Such mailing or telephoning as above provided above shall be due, legal and personal notice to each Director.

SECTION 9. ENTRY OF NOTICE. Whenever any Director has been absent from any special meeting of the Board of Directors, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such special meeting was given to such Director, as required by law and by the Bylaws of the Corporation.

SECTION 10. WAIVER OF NOTICE. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice or consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 11. QUORUM. A majority of the Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors.

SECTION 12. ADJOURNMENT. A quorum of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at the Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

SECTION 13. FEES AND COMPENSATION. Directors shall not receive any salary for their services as Directors. Nothing herein contained shall be construed or preclude any Director from serving the Corporation in any other capacity as an officer, agent, employee or otherwise, and receiving compensation therefor.

SECTION 14. ACTION OF BOARD WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action.

SECTION 15. EXECUTIVE COMMITTEE. The Board of Directors shall have the power to appoint an Executive Committee and to delegate to such Committee any of the powers and authority of the Board of Directors in the management and affairs of the Corporation except the power to adopt, amend or repeal Bylaws. The Executive Committee shall be composed of three (3) or more Directors, one of whom shall also be the President.

SECTION 16. ATTENDANCE BY REGULAR MEMBERS.

First: Meetings Generally Open to Regular Members. With the exception of executive sessions of the Board of Directors (see subparagraph (b), below) and any meetings conducted by conference telephone, all meetings of the Board of Directors shall be open to Regular Members, provided, however, that nondirector Regular Members may participate in deliberations or discussions of the Board of Directors only when expressly authorized by a vote of a majority of the Directors present at the meeting at which a quorum has been established.

The agenda for Board of Directors meetings shall include a specific time for Regular Member questions and comments. The chair shall be authorized to impose reasonable time limitations on Regular Member comments.

Second: Executive Sessions. The Board of Directors, on the affirmative vote of a majority of the Directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss litigation in which the Corporation is or may become a party, personnel matters, or business of a similar nature in which

maintenance of the confidentiality of Board of Directors deliberations is consistent with the best interests of the Corporation and its Regular Members. Before adjourning into executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Regular Members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board of Directors to first call an open meeting before meeting in executive session with respect to the matters described above.

ARTICLE VII OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a President, a Vice President, a Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, one or more assistant secretaries, one or more treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Officers other than the President need not be Directors. One person may hold two or more offices, except that of President.

SECTION 2. ELECTION. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article VII, shall be chosen annually by the Board of Directors, and each shall hold his/her office until he/she shall resign or shall be removed or otherwise disqualified to serve, or his/her successor shall be elected and qualified.

SECTION 3. SUBORDINATE OFFICERS, ETC. The Board of Directors may appoint such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

SECTION 4. REMOVAL AND RESIGNATION. Any officer may be removed, either with or without cause, by a majority of the Board of Directors at the time in office, at any regular or special meeting of the Board of Directors, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors or the President, or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 5. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or any other cause, shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

SECTION 6. PRESIDENT. The President shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of

the business and officers of the Corporation. The President shall preside at all meetings of the Regular Members and at all meetings of the Board of Directors. The President shall be ex officio a member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the Bylaws.

SECTION 7. VICE PRESIDENT. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all powers of and be subject to all the restrictions on the President. The Vice President shall have such other powers and perform such other duties as from time to time be prescribed for him by the Board of Directors or by the Bylaws.

The Vice President shall have the duty, responsibility, and authority to monitor the procedures, as detailed in Article VIII, SECTION 9, COMPLIANCE PROCEDURES, to ensure compliance with the Bylaws and CC&Rs by Regular Members. The Vice President shall report on such compliance procedures at each scheduled Board of Directors meeting, and he/she shall recommend such changes to the compliance procedures, as may be necessary or advisable, to the Board for its consideration.

SECTION 8. SECRETARY. The Secretary shall keep, or cause to be kept, a book of minutes, at the principal office or such other place as the Board of Directors may order, of all meetings of Directors and Regular Members, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at the Directors' meetings, the number of Regular Memberships present or represented at Regular Members' meetings and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all the meetings of the Regular Members and of the Board of Directors required by the Bylaws or by law to be given, and he or she shall keep the seal of the Corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

The Secretary shall maintain a copy of the minutes of the meetings of the Architectural Review Committee ("ARC") with the other records of the Corporation, and shall compile and store documentation provided to the ARC by the Board of Directors and Regular Members, as well as documentation generated or produced by the ARC. The costs for such compilation and storage shall be borne by the Corporation. The ARC shall provide a copy of the described documents to the Secretary of the Corporation.

The Secretary shall assist with the performance of compliance procedures as set forth in Article VIII, SECTION 9 of the Bylaws.

SECTION 9. TREASURER. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the

Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all times be open to inspection by any Director.

The Treasurer shall deposit any monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request, an account of all transactions as Treasurer and a statement of the financial condition of the Corporation. The Treasurer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

SECTION 10. COMMITTEES OF DIRECTORS. In addition to the ARC appointed and constituted pursuant to this Declaration, the Board of Directors may, by resolution adopted by a majority of the Directors then in office, designate one or more committees, each consisting of two or more Regular Members (who may also be Directors), to serve at the pleasure of the Board of Directors. Committees shall have all the authority of the Board of Directors with respect to matters within their area of assigned responsibility, except that no committee, regardless of a Board of Directors resolution, may:

- (a) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Regular Members.
- (b) Fill vacancies on the Board of Directors or on any committee that has been delegated any authority of the Board of Directors.
- (c) Amend or repeal Bylaws or adopt new Bylaws.
- (d) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.
- (e) Appoint any other committees of the Board of Directors or the members of those committees.
- (f) Expend Corporation funds to support a nominee for Director after there are more people nominated for Director than can be elected.
- (g) Approve any transaction (i) to which the Corporation is a party and one or more Directors have a material financial interest; or (ii) between the Corporation and one or more of its Directors or between the Corporation or any person in which one or more of its Directors have a material financial interest.

The ARC shall assist with the performance or compliance procedures as set forth in Article VIII, Section 9 of the Bylaws.

In addition to the authority, responsibility, and duty delegated to the ARC by the Board of Directors, or as provided by the CC&Rs, the designated chairman of the ARC or his/her written designee, who must also be a member of the ARC, shall give notice to the Secretary of any Regular Member's failure to comply with the Bylaws and/or the CC&Rs. The chairman of the ARC, or his/her written designee shall appear at noticed meetings of the Board of Directors to discuss matters of compliance with the Bylaws and/or CC&Rs when such matters are pending.

The chairman of the ARC or his/her written designee shall assist the Secretary with recordation and maintenance of ARC meetings, and that to the extent feasible, documentation presented to or generated by the ARC on matters of compliance with the Bylaws and CC&Rs shall be stored with the records of the Corporation.

ARTICLE VIII MISCELLANEOUS

SECTION 1. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of, or payable to, the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

SECTION 2. CONTRACTS, ETC. HOW EXECUTED. The Board of Directors, except as otherwise provided in the Bylaws, 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 Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

SECTION 3. INSPECTION OF BYLAWS. The Corporation shall keep in its principal office for the transaction of business the original or a copy of the Bylaws, as amended, or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Regular Members at all reasonable times during office hours.

SECTION 4. FISCAL YEAR. The fiscal year of the Corporation shall be determined by the Board of Directors, and having been so determined, is subject to change from time to time as the Board of Directors shall determine.

SECTION 5. FISCAL RECORD KEEPING. At the end of each fiscal year, the Board of Directors shall cause the financial statements of the Corporation to be compiled by a licensee of the California State Board of Accountancy in accordance with generally accepted accounting principles. At the end

of each five (5) year period following April 30, 1993, the Board of Directors shall also cause the financial statements of the Corporation to be reviewed by a Certified Public Accountant, and a Certified Public Accountant's report be issued. Copies of such compiled financial statements and reviews shall be made available to all Regular Members of the Corporation within 120 days after the close of each fiscal year.

The Corporation shall cause a proforma operating budget to be prepared and distributed to each Regular Member of the Corporation not less than 45 days or more than 60 days prior to the beginning of the fiscal year. The proforma operating budget will include the following items:

- a. The estimated revenue and expenses on an accrual basis;
- b. A summary of the Corporation's reserves based upon the most recent review or study conducted pursuant to Civil Code Section 1365.5 which includes the following:
 1. The current estimated replacement cost, estimated remaining life and estimated useful life of each major component;
 2. The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain major components;
 3. The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components;
 4. The percentages of the accumulated cash reserves actually set aside to repair, replace, restore or maintain major components;
 5. A statement by the Board as to whether a special assessment will be required to repair, replace or restore any major component or to provide adequate reserves therefor;
 6. A general statement addressing the procedures used for the calculation and establishment of the reserves that the Corporation is obligated to maintain.

SECTION 6. INDEMNIFICATION.

First: Indemnification of Corporation. Each Regular Member shall be liable to the Corporation for any damage to the Common Areas caused by the negligence or willful misconduct of the Regular Member or his or her family, guests, invitees or lessees, to the extent that the damage shall not be covered by insurance. Each Regular Member shall indemnify, hold harmless, and pay any costs of defense of each other Regular Member from claims for personal injury or property damage occurring within any lot owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This section is

not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this section.

Second: Indemnification by Corporation of Directors, Officers, Employees, and Other Agents. To the fullest extent permitted by law, the Corporation shall indemnify its Directors, Officers, employees, and other agents described in Corporations Code Section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Corporation, by reason of the fact that such person is or was a Director or Officer/a person described by that section. "Expenses," as used in this section, shall have the same meaning as in Corporations Code Section 7237(a).

Third: Approval of indemnity by Corporation. On written request to the Board of Directors by any person seeking indemnification hereunder, the Board of Directors shall promptly determine in accordance with Corporations Code Section 7237(e), whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Board of Directors shall authorize indemnification. If the Board of Directors cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to the proceeding, the Board of Directors shall promptly call a meeting of Regular Members. At that meeting, the Regular Members shall determine under Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Regular Members present at the meeting in person or by proxy shall authorize indemnification.

Fourth: Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board Directors in a specific instance, expenses incurred by a Director/Officer/employee/agent seeking indemnification under paragraphs (b) and (c) of this section 6 in defending any proceeding covered by those sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Fifth: Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of its Directors, Officers, employees/other agents against other liability asserted against or incurred by any Director, Officer, employee/agent in such capacity or arising out of the Director's, Officer's, employee's/agent's status as such. Directors and Officers insurance coverage should be at least \$2,000,000. In addition to the minimum coverage of Directors and Officers insurance stated above, the Corporation should carry general liability insurance in the minimum amount of \$3,000,000. As long as these statutorily provided minimum coverage levels are maintained, any cause of action in tort should be limited to the Corporation rather than against the individual owners.

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

SECTION 8. INSPECTION OF BOOKS AND RECORDS.

First: Regular Member Inspection Rights. All books and records, minutes of proceedings of the Regular Members, the Board of Directors and committees of the Board of Directors and the membership list of the Corporation, shall at all times, upon reasonable notice to the Corporation, be subject to the inspection of any Regular Member or his or her duly appointed representative at the offices of the Corporation for any purpose reasonably related to the Regular Member's interest as such. Regular Member's rights of inspection shall be exercisable on ten days' written demand on the Corporation, which demand shall state the purpose for which the inspection rights are requested. In the case of the demands to inspect the Corporation's membership list, a Regular Member's inspection rights shall be subject to the Corporation's right to offer a reasonable alternative to inspection within ten days after receiving the Regular Member's written demand (as more particularly set forth in Corporations Code Sections 8330-8338).

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

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

SECTION 9. COMPLIANCE PROCEDURES

First: The following procedures, or substantially similar procedures, should be followed by the Board of Directors and ARC members, as a means of facilitating compliance by the Regular Members with the Bylaws and the CC&Rs to the greatest extent possible:

a. If a member of the Board of Directors or the ARC discovers a possible violation of the Bylaws or the CC&Rs, that member shall report the possible violation to the Secretary.

b. The Secretary shall communicate with a designated member of the Board of Directors regarding any failure of a Regular Member to comply with the Bylaws or the CC&Rs.

c. Those Directors designated by the Board of Directors to investigate possible violations of the Bylaws and/or the CC&Rs (the "Inspecting Director(s)"), shall use reasonable efforts to investigate any claimed violation of the Bylaws and CC&Rs within five (5) days of receipt of notice of such purported violation from the Secretary, or as soon thereafter as is reasonably feasible.

d. If the Inspecting Director(s), following such inspection, determine that a Regular Member is in violation of the Bylaws and/or the CC&Rs, such Inspecting Director(s) shall notify the Secretary. The Secretary shall send written notice of such violation to the non-complying Regular Member by first-class mail within two (2) days of receipt of such information from the Inspecting Director(s).

e. The Secretary shall contact the Inspecting Director(s) within thirty (30) days of sending the first notice of non-compliance to inquire as to whether compliance has been achieved by the non-complying Regular Member. If the Inspecting Director(s) determine that the alleged violation has not been corrected by the Regular Member, a second notice of violation shall be issued forthwith by the Secretary, and the Secretary shall calendar the matter for the purpose of monitoring compliance within fifteen (15) days after the date of the second notice.

f. The Secretary shall contact the Inspecting Director(s) within fifteen (15) days after sending the second notice of non-compliance. If the Inspecting Director(s) determine at that time that compliance has not been achieved by the Regular Member, then the Inspecting Director(s) shall place the matter on an upcoming Board meeting agenda, for consideration of alternatives available to the Board, including commencement of litigation against the non-complying Regular Member and the recovery of attorneys' fees, court costs, and damages.

g. Any matter of non-compliance with the Bylaws and the CC&Rs shall be placed on the agenda by the Secretary or Inspecting Director(s) for discussion at the next meeting of the Board of Directors.

h. If requested by the Board of Directors, the ARC and/or its members may assist the Inspecting Director(s) in the investigation and monitoring of matters of non-compliance by Regular Members.

i. If any matter of non-compliance involves a request for a variance from the Corporation's governing documents, or any other matter within the discretion of the ARC as established in the Bylaws and CC&Rs, the Directors, including Inspecting Director(s), shall notify the ARC of such matter.

j. The Board of Directors may amend or change these procedures as necessary and as allowed by the Bylaws.

Second: No Waiver. Any failure by the Board of Directors, the ARC, or their designees, agents or representatives to comply strictly with the above-stated procedures shall not constitute any waiver or compromise of the Board of Directors or the Corporation to institute, through exercise of their reasonable business judgment, legal proceedings for the purpose of enforcing compliance of a Regular Member with the Bylaws and the CC&Rs. Nor shall any failure by the Board of Directors or the ARC to perform strictly in accordance with the above-stated procedures vitiate or render any existing enforcement proceedings void.

ARTICLE IX AMENDMENTS

SECTION 1. BY BOARD OF DIRECTORS. New Bylaws may be adopted, or these Bylaws may be amended or repealed, by the affirmative vote or written consent of a majority of the Board of Directors unless the action voted on would (1) materially and adversely affect the rights of Regular Members as to voting or transfer; (2) increase or decrease the number of Regular Members, or (3) require the vote of the majority of Regular Members pursuant to the provisions of the California Corporations Code.

SECTION 2. BY REGULAR MEMBERS. New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote or written consent of a majority of those Regular Members present and not ineligible to vote pursuant to Article III, Section 3, so long as the number of Regular Members constitutes a quorum pursuant to the first sentence of Article V, Section 7, i.e., a quorum must still be maintained.

ARTICLE X NEW REGULAR MEMBERS

SECTION 1. ANNEXATION OF ADDITIONAL PROPERTY INTO JURISDICTIONAL BOUNDARIES. Additional residential property, Common Area and Common Maintenance Area may be annexed to the Real Property described on Exhibit B as tracts 4234, 5744, 7107, 7391 and 7653 attached hereto, upon the vote or written assent of a majority of Regular Members. Upon such approval, the owner of the property wishing it to be annexed may file of record a Declaration of Annexation and a copy of The Meadows CC&Rs which shall extend the scheme of the Corporation to such property. Each owner of a legal lot in the parcel annexed shall become a Regular Member and shall be subject to all the rights and obligations set forth in these Bylaws and in the recorded CC&Rs for The Meadows Homes Association, which CC&Rs shall be recorded against the annexed parcels.

SECTION 2. ADMITTANCE OF NEW REGULAR MEMBERS. New Regular Members may be admitted at such time as a majority of the current Regular Members elect to annex additional real

property pursuant to Section 1 of Article X. Upon the further parcelization or subdivision of an existing legal lot within the jurisdiction of the Corporation, the creation of new Regular Memberships may be approved by a majority of the Board of Directors.

CERTIFICATION OF AMENDED AND RESTATED BYLAWS

I, the undersigned, the duly elected and acting Secretary of the Corporation, do hereby certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that if called upon to testify as a witness I can and will do so competently to the same effect:

That the within and foregoing Amended and Restated Bylaws were adopted as the Amended and Restated Bylaws of THE MEADOWS HOMES ASSOCIATION on the _____ day of _____, 1998, and that the same do now constitute the Amended and Restated Bylaws of THE MEADOWS HOMES ASSOCIATION.

IN WITNESS WHEREOF, I have hereunto subscribed my name,
_____ this _____ day of _____, 19__.

Secretary