

BY-LAWS
OF
EL DORADO ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I

General Plan of Ownership

Section 1.01. Name. The name of the corporation is EL DORADO ESTATES HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in Kern County, California.

Section 1.02. Application. The provisions of these By-Laws are applicable to the planned residential development known as "EL DORADO ESTATES," located in the County of Kern, State of California (the "Properties"). All present and future Owners and their tenants, future tenants, employees and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these By-Laws and in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for EL DORADO ESTATES, (the "Declaration" herein) recorded in the Office of the Kern County Recorder and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties, or the mere act of occupancy of any Lot, will signify that these By-Laws are accepted, ratified, and will be complied with.

Section 1.03. Meaning of Terms. The following terms, as used in these By-Laws, shall have the same meanings as are applied to such terms in the Declaration: "Grantors," "Articles," "Board," "Common Area," "Lot," "Member," "Declaration," "Owner," "Person," "Properties," "Mortgage," "Mortgagee," "Common Expenses," "Association," "Improvement," "Manager," "Annual Assessments," "Special Assessments," "Capital Improvement Assessments," "Reconstruction Assessments," and "Dwelling Unit."

ARTICLE II

Voting by Association Membership

4
Section 2.01. Voting Rights. The Association shall have one (1) class of voting Membership, and each Owner shall be entitled to one (1) vote for each Lot in which he holds the interest required for membership.

Section 2.02. Majority of Quorum. Unless otherwise expressly provided in these By-Laws or the Declaration, any action which may be taken by the Association may be taken by a majority of a quorum of the Members of the Association.

Section 2.03. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of at least fifty-one percent (51%) of the voting power of the membership of the Association shall constitute a quorum of the membership. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 2.04. Proxies. Votes may be cast in person or by proxy. All proxies must be in writing and filed with the Secretary before the appointed time of each meeting, or at the beginning of the meeting. Every proxy shall be revocable and shall automatically cease after the completion of the meeting for which the proxy was filed.

ARTICLE III
Administration

Section 3.01. Association Responsibilities. In accordance with the provisions of the Declaration, the Association shall have the responsibility of maintaining the Common Area, approving the annual budget, and establishing and collecting all assessments authorized under the Declaration.

Section 3.02. Place of Meetings of Members. Meetings of the Members shall be held on the Properties, or such other suitable place in Kern County as proximate thereto as practicable and convenient to the Members, as may be designated from time to time by the Board of Directors.

Section 3.03. Annual Meetings of Members. The annual meetings of the Association shall be held on or about the anniversary date of the adoption of these By-Laws. At each annual meeting there shall be elected by ballot of the Members a Board of Directors, in accordance with the requirements of Section 4.05 of Article IV of these By-Laws. The Members may also transact such other business of the Association as may properly come before them.

Section 3.04. Special Meetings of Members. It shall be the duty of the President to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by Members representing at least twenty-five percent (25%) of the total voting power of the Association. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of those Members present, in person or by proxy, representing at least eighty percent (80%) of the voting power of the Association.

Section 3.05. Notice of Meetings to Members. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of Members, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record and to each first Mortgagee of a Lot which has filed a written request for notice with the Secretary, at least ten (10) but not more than thirty (30) days prior to such meeting. The notice may set forth time limits for speakers and nominating procedures for the meeting. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice shall be posted in a conspicuous place on the Common Area, if available, and such notice shall be deemed served upon a Member upon posting if no address has been then furnished the Secretary. The Board of Directors may fix a date as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed shall not be more than thirty (30) days nor less than ten (10) days prior to the date of the meeting. When a record date is so fixed, only Members of record on that date shall be entitled to notice of the meeting, notwithstanding any transfer of or issuance of membership certificates on the books of the Association after the record date.

Section 3.06. Adjourned Meetings. If any meeting of Members cannot be organized because a quorum is not present, the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. If the

meeting is adjourned to a time not more than thirty (30) days from the time the original meeting was called for, such adjourned meeting may be held without notice thereof as otherwise required by this Article III, provided that notice is given by announcement at the meeting at which such adjournment is taken. If a meeting is adjourned for more than thirty (30) days, notice of the adjourned meeting shall be given in the manner provided in Section 3.05 of this Article III.

Section 3.07. Order of Business. The order of business at all meetings of the Members shall be as follows: (1) roll call to determine the voting power represented at the meeting; (2) proof of notice of meeting or waiver of notice; (3) reading of minutes of preceding meeting; (4) reports of officers; (5) reports of committees; (6) election of inspector of elections (at annual meetings or special meetings held for such purpose); (7) election of Directors (at annual meetings or special meetings held for such purpose); (8) unfinished business; and (9) new business. Meetings of Members shall be conducted by the officers of the Association, in order of their priority.

Section 3.08. Action Without Meeting. Any action which, under the provisions of the California Corporations Code, may be taken at a meeting of the Members may be taken without a meeting if authorized by a writing signed by all of the Members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary.

Section 3.09. Consent of Absentees. The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though completed at a meeting duly held after regular call and notice if a quorum be present, either in person or by proxy, and if, either before or after the meeting, each of the Members not present, in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 3.10. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV

Board of Directors

Section 4.01. Number and Qualification. The property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) Persons, each of whom, except for those appointed and serving as first Directors, must be a resident Owner of a Lot in the Properties. The authorized number of Directors may be changed by a duly adopted amendment to the By-Laws. Directors and officers shall not receive any salary or compensation for their services as Directors and officers unless such compensation is first approved by the vote or written consent of Members representing at least two-thirds (2/3) of the voting power; provided, however, that (1) nothing herein contained shall be construed to preclude any Director from serving the Association in some other capacity and receiving compensation therefor, and (2) any Director may be reimbursed for his actual expenses incurred in the performance of such Director's duties.

Section 4.02. Powers and Duties. The Board of Directors has the powers and duties necessary for the administration of the affairs of

the Association, and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done exclusively by the Members. The Board of Directors shall not enter into any contract for a term in excess of one (1) year without the vote or written consent of the Members representing at least a majority of the voting power, except for prepaid casualty or liability insurance policies of not more than three (3) years' duration, provided that the policies permit short term cancellation by the Association.

Section 4.03. Special Powers and Duties. Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(1) The power and duty to select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law and with the Articles of Incorporation, the Declaration, and these By-Laws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(2) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefor consistent with law and with the Articles of Incorporation, the Declaration, and these By-Laws, as the Board may deem necessary or advisable.

(3) The power but not the duty to change the principal office for the transaction of the business of the Association from one location to another within the County of Kern, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 3.02, hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

(4) With the approval of Members representing at least two-thirds (2/3) of the voting power of the Association, the power but not the duty to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(5) The power and duty to fix and levy from time to time Annual Assessments, Special Assessments, and Reconstruction Assessments upon the Members, as provided in the Declaration; to fix and levy from time to time in any fiscal year Capital Improvement Assessments applicable to that year only for capital improvements; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. Subject to any limitations imposed by the Declaration

and these By-Laws, the Board of Directors shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable for replacement reserves, for maintenance recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Disbursements from such trust reserve fund shall be made only in accordance with the provisions of the Declaration. Such Annual Assessments, Reconstruction Assessments, Special Assessments, and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided in the Declaration.

(6) The power and duty to enforce the provisions of the Declaration covering the Properties, these By-Laws, or other agreements of the Association.

(7) The power and duty to contract for and pay for fire, casualty, blanket liability, malicious mischief, vandalism, errors and omissions, liquor liability, and other insurance insuring the Members, the Association, the Board of Directors, and other interested parties, in accordance with the provisions of the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation medical expenses of persons injured on the Common Area). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on behalf of the Association.

(8) The power and duty to contract for and pay for maintenance, gardening, utilities, materials and supplies, and services relating to the Common Area, and to employ personnel necessary for the operation of the Properties, including legal and accounting services, and to contract for and pay for Improvements on the Common Areas.

(9) The power but not the duty to delegate its powers according to law, and to adopt these By-Laws.

(10) The power but not the duty to grant easements where necessary for utilities, sewer facilities, and other public purposes over the Common Area to serve the Properties.

(11) The power and duty to fix, determine and name from time to time, if necessary or advisable, the nonprofit fund, trust, foundation or corporation to which the assets of this Association shall be distributed upon liquidation or dissolution, according to the Articles of Incorporation of the Association. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association, and after distribution of all property held or acquired by the Association under the terms of a specific trust or trusts.

(12) The power and duty to adopt such rules and regulations as the Board may deem necessary for the management of the Common Area, which rules and regulations shall become effective and binding after (a) they are adopted by a majority of the Board at a meeting called for that purpose, or by the written consent of such number of Directors attached to a copy of the rules and regulations of the Association, and (b) they are

posted in a conspicuous place in the Common Area, if available. Such rules and regulations may concern, without limitation, use of the Common Area, signs, parking restrictions, and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such rules and regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation, and these By-Laws.

(13) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association, and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote.

(14) The power but not the duty to appoint a Membership Committee composed of at least one (1) Director and at least one (1) Association Member at large. The Membership Committee shall be responsible for contacting all purchasers of Lots in the Properties as soon as any transfer of title to a Lot is discovered. The Membership Committee shall further attempt to establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association.

Section 4.04. Management Agent. The Board of Directors may appoint for the Association a professional management agent, at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including but not limited to the duties listed in Section 4.03 of this Article IV. Any such management agreement, or any agreement providing for services by Grantors to the Association, shall be for a term not in excess of one (1) year, subject to cancellation by the Association for cause at any time upon not less than thirty (30) days' written notice, and without cause (and without penalty or the payment of a termination fee) at any time upon not less than ninety (90) days' written notice.

Section 4.05. Election and Term of Office. At the first annual meeting of the Members, and thereafter at each annual meeting of the Members, new Directors shall be elected by secret written ballot by the Owners as provided in these By-Laws; and all positions on the Board of Directors shall be filled at that election. In the event an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of each Director elected at the first annual meeting, and the term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director, shall be one (1) year. The term of office of each Director elected to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms during which he may serve. Each Member may accumulate his votes for the election and removal of Directors provided in this Article IV. At any election of the Board, each Member may give one or more candidates for Director a number of votes equal to the share of the voting power, as set forth in the Declaration, multiplied by the number of Directors to be elected.

Section 4.06. Books, Audit. The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association, in a manner consistent with generally accepted accounting principles. A balance sheet and an

unaudited operating (income) statement for the Association shall be distributed to each Member (and to any holder of a first Mortgage on a Lot in the Properties upon request), as of the last day of the Association's fiscal year, within ninety (90) days of such date. All books, records and papers of the Association shall be made available for inspection and copying by any Member or his duly appointed representative at the principal office of the Association, or at such other place within the Properties as the Board may prescribe. The Board shall establish reasonable rules with respect to notice to be given to the custodian of the records by the Member desiring to make the inspection, hours and days of the week when such an inspection may be made, and payment of the cost of reproducing copies of documents requested by a Member. 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 the inspection by a Director shall include the right to make extracts and copies of documents.

Section 4.07. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Members of the Association, or at a special meeting of the Members called for that purpose. A vacancy or vacancies shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place.

Section 4.08. Removal of Directors. At any regular or special meeting of the Members duly called, any one or more of the Directors may be removed, with or without cause, by a majority vote of the Members of the Association; and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If more than one Director is to be removed at any one time, each Member may accumulate his votes and vote for or against such removal of one or more of the Directors in the number of votes equal to his share of the voting power as set forth in the Declaration multiplied by the number of Directors sought to be removed. Where the entire Board of Directors is not removed at one time, no Director shall be removed if the number of votes cast against his removal exceeds the quotient arrived at when the total number of Lots in the Properties is divided by one (1) plus the authorized number of Directors. If any or all of the Directors are so removed, new Directors may be elected at the same meeting.

Section 4.09. Organization Meeting of Board. The first regular meeting of a newly elected Board of Directors ("organization meeting") shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers, and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting provided that (1) a majority of the whole Board shall be present when the time and place are announced at the annual meeting and (2) the meeting is held on the same day and at the same place as the annual meeting of the Members at which the newly constituted Board was elected.

Section 4.10. Regular Meetings of Board. Regular meetings of the Board of Directors shall be open to all Members; provided that Members who are not Directors may not participate in any deliberation or

discussion at such regular meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Regular meetings may be held at such time and place within the Properties as shall be determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings shall be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least seventy-two (72) hours prior to the date named for such meeting.

Section 4.11. Special Meetings of Board. Special meetings of the Board of Directors shall be open to all Members; provided that Members who are not Directors may not participate in any deliberation or discussion at such special meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special meetings may be called by the President (or, if he is absent or refuses to act, by the Vice President) or by any two (2) Directors. At least seventy-two (72) hours' notice shall be given to each Director, personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided), and the purpose of the meeting. If served by mail, each such notice shall be sent, postage prepaid, to the address reflected on the records of the Association, and shall be deemed given, if not actually received earlier, at 5:00 o'clock p.m. on the second (2nd) day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director has been absent from any special meeting of the Board, 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 meeting was given to such Director, as required by law and as provided herein.

Section 4.12. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of personal notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, 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 (1) a quorum be present and (2) either before or after the meeting each of the Directors not present signs a written waiver of notice, consenting to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 4.13. Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business; and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present. The Board of Directors may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 4.14. Fidelity Bonds. The Board of Directors may require

that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

Section 4.15. Committees. The Board of Directors, by resolution, may from time to time designate such advisory and other committees as it shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination and other administrative matters as deemed appropriate by the Board.

ARTICLE V

Officers

Section 5.01. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Board may appoint an Assistant Treasurer, an Assistant Secretary, and such other officers as in their judgment may be necessary. Officers other than the President need not be Directors. The offices of Secretary and Treasurer may be held by the same person, but the offices of President and Secretary may not be held by the same person.

Section 5.02. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors; and each officer shall hold his office at the pleasure of the Board of Directors until he shall resign, be removed or otherwise disqualified to serve, or his successor shall be elected and qualified to serve.

Section 5.03. Removal of Officers. Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect at the date of receipt of such notice, or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

Section 5.04. Compensation. Officers, agents and employees may receive compensation as authorized by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least two-thirds (2/3) of the voting power; and provided further that (1) nothing herein contained shall be construed to preclude any officer from serving the Association in some other capacity and receiving compensation therefor, and (2) any officer may be reimbursed for his actual expenses incurred in the performance of his duties. Appointment of any officer, agent or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent or employee. Notwithstanding the foregoing, no officer, employee or director of MORELAND & SONS CONSTRUCTION, INC., a California corporation ("MORELAND & SONS"), the developer of EL DORADO ESTATES, or any affiliate of MORELAND & SONS, may receive any compensation.

Section 5.05. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings

of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Article IV, Section 4.15, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall have, subject to the control of the Board of Directors, general supervision, direction and control of the business of the Association. The President shall be ex officio a member of all standing committees, and he shall have such other powers and duties as may be prescribed by the Board of Directors or these By-Laws of the Association.

Section 5.06. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent, disabled, or refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or these By-Laws of the Association.

Section 5.07. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association at the principal office of the Association, or at such other place as the Board of Directors may order. The Secretary shall keep the seal of the Association in safe custody, and shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Members of the Association and of the Board of Directors required by these By-Laws or by law to be given. The Secretary shall maintain a record book of Members, listing the names and addresses of the Members as furnished to the Association; and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors.

Section 5.08. Treasurer. The Treasurer shall have responsibility for Association funds and securities, and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records, and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements, in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Declaration, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

ARTICLE VI

Obligations of the Members

Section 6.01. Assessments.

(1) 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.

(2) All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

Section 6.02. Maintenance and Repair.

(1) Every Member must perform promptly, at his sole cost and expense, such maintenance and repair work on his Lot as is required under the provisions of the Declaration.

(2) As further provided in the Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Area owned by the Association which are damaged through the fault of such Member. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these By-Laws or the Declaration.

ARTICLE VII

Amendments to By-Laws

These By-Laws may be amended by the Association by the vote or written consent of Members representing at least a majority of the voting power of the Members, except for those provisions requiring a two-thirds (2/3) vote to take certain action, which provisions may only be amended by the written consent of Members representing at least two-thirds (2/3) of the voting power of the Members.

ARTICLE VIII

Conflicting Provisions

In case any of these By-Laws conflict with any provisions of the laws of the State of California, such conflicting By-Laws shall be null and void upon final court determination to such effect; but all other By-Laws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these By-Laws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE IX

Indemnification of Directors and Officers

Except to the extent that such liability or damage or injury is covered by insurance proceeds, the Board of Directors may or shall (as appropriate) authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, a present or former Director, officer, committee member, or employee of the Association in an action brought by a third party against such person, whether or not the Association is joined as a party defendant, to impose a liability or penalty on such person for an act alleged to have been committed by such person while a Director, officer, committee member, or employee, provided the Board of Directors determines in good faith that such Director, officer, committee member, or employee was acting in good faith within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interests of the Association or its Members, and provided further that the payment of such expenses is otherwise permitted or required pursuant to the applicable provisions of the

California Corporations Code. Notwithstanding the foregoing, in no event shall any employee, officer or director of MORELAND & SONS, serving in such capacity as an appointee of MORELAND & SONS, be entitled to such indemnification. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. The provisions of this Section shall apply to the estate, executor, administrator, heirs, legatees or devisees of a Director, officer, committee member, or employee; and the term "person" where used in this Article IX shall include the estate, executor, administrator, heirs, legatees or devisees of such person.

ARTICLE X

Miscellaneous

Section 10.01. Execution of Documents. The Board of Directors, except as in these By-Laws otherwise provided, 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 of Directors, no officer, agent, committee member, 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 10.02. Inspection of By-Laws. The Association shall keep in its office for the transaction of business the original or a copy of these By-Laws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members and all first Mortgagees in accordance with Article IV, Section 4.06, hereof.

Section 10.03. Fiscal Year. The fiscal year of the Association 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 10.04. Membership Book. The Association shall keep and maintain in its office for the transaction of business a book containing the name and address of each Member. Termination or transfer of ownership of any Lot by a Member shall be recorded in the book, together with the date on which such ownership was transferred, in accordance with the provisions of the Declaration.

ARTICLE XI

Notice and Hearing Procedure

In the event of an alleged violation of the Declaration, these By-Laws, or the rules and regulations of the Association adopted hereunder, and after written notice of such alleged failure is given to the Member or to anyone in his family alleged to be in default, the Board of Directors shall have the right, after the alleged violator has been given an opportunity for an appropriate hearing, and upon an affirmative vote of a majority of all Directors, to take one or both of the following actions: (1) levy a Special Assessment as provided in the Declaration, or (2) suspend said Member's voting privileges as a Member, as further provided in the Declaration. Any such suspension shall be for a period of not more than thirty (30) days from any noncontinuing infraction; but in the case of a continuing infraction (including non-payment of any assessment after the same becomes delinquent), any such suspension may be imposed for so long as the violation continues. The failure of the Board to enforce the rules and regulations of the Asso-

ciation, these By-Laws, or the Declaration, shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above, and otherwise provided by these By-Laws or by law, shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these By-Laws, or by the rules and regulations adopted by the Association, before that Member may resort to a court of law for relief with respect to any alleged violation by another Member of any provision of the Declaration, these By-Laws, or the rules and regulations; provided, however, that the foregoing limitation pertaining to exhausting internal remedies shall not apply to the Board or to any Member where the Complaint alleges nonpayment of Annual Assessments, Capital Improvement Assessments, or Reconstruction Assessments.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of EL DORADO ESTATES HOMEOWNERS ASSOCIATION, a California nonprofit corporation ("Association"); and

2. The foregoing By-Laws comprising thirteen (13) pages, including this page, constitute the By-Laws of the Association duly adopted at the meeting of the Board of Directors of the Association held on Nov. 15th, 1979.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this 15th day of November, 1979.


Secretary

(SEAL)