

BY-LAWS OF COTO DE CAZA COMMUNITY ASSOCIATION

ARTICLE I Principal Office

The principal office for the transaction of the business of COTO DE CAZA COMMUNITY ASSOCIATION (herein called the "Association") is hereby fixed and located at 881 Dover Drive, Newport Beach, California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another within Orange County, California.

ARTICLE II Purposes

The primary and specific purposes and general purposes of the Association are set forth in the Articles of Incorporation of the Association. In consonance with these purposes, the Association shall maintain private streets within any area owned, leased or licensed by the Association and common area, if any, owned or leased by the Association for the benefit of the members.

ARTICLE III Members

Section 1: Number of Members. There shall be one membership for each residential dwelling lot in the COTO DE CAZA COMMUNITY ASSOCIATION planned residential development, which is comprised of Tract No. 6970, Orange County, California (hereinafter referred to as "the development"). There shall be no classification of memberships in the Association, and each membership shall be appurtenant to a residential dwelling lot in the development.

Section 2: Qualifications of Members. Each person who is the owner of a fee simple interest in a residential lot in the development shall be entitled to a membership in the Association and shall be a member of the Association. In the event that such interest is owned in joint tenancy or tenancy in common, only one of such joint owners shall be a member of the Association. Such owners shall from time to time designate one of their number in writing to vote and to exercise all of the other rights of membership. The non-voting joint owner, however, shall be entitled to all the benefits of membership of the Association, subject to the By-Laws and to the rules and regulations as may be promulgated from time to time by the Board of Directors. Such non-voting owner shall be jointly and severally responsible for the dues, assessments and charges levied against, incurred by, or attributed to the membership from which such member derives the rights and benefits referred to in this Section.

Section 3: Subdivider's Commitment. Assessments charged to unsold lots within the development which are subject to the power and authority of the Association shall be billed and charged to the subdivider of the development, which is Oaks Investment Company, a Limited Partnership, composed of Macco Corporation, a Delaware Corporation, as General Partner, and Saddleback Investment Company, a Limited Partnership, or its successors in interest or assigns. Said subdivider shall have the duty and obligation to pay the assessments on unsold lots within the development until the date of sale of each of the respective lots. The term "successors in interest or assigns" of the subdivider, as used herein, shall not apply to purchasers of interest in individual residential dwelling lots from the subdivider.

Section 4: Transfer of Membership. Membership in the Association shall be transferable only when

the entire given lot has been validly conveyed or assigned by written instrument or by operation of law or when a valid lease of such lot has been executed wherein the holder of the originally conveyed interest relinquishes all privileges, rights, and incidents of the Association membership, and transfers such privileges to the person or persons leasing from such holder. Any transfer made in accordance with this Section shall be effective only upon the filing of a written notice with the Board of Directors by the transferor, to the effect that such transferor gives up and relinquishes all such privileges, rights, and incidents for the period during which said agreement, conveyance or assignment remains effective. In connection with any transfer pursuant to this Section, the Association may charge the transferor-member a Ten Dollar (\$10) transfer fee for each transfer; provided, however, no such charge may be made to the holder of a first deed of trust who acquires title to any lot by foreclosure, trustee's sale, or a deed in lieu of foreclosure. The provisions of this Section shall not apply to the subdividers, or to their successors in interest or assigns.

Section 5: Voting and Majority Rule. Each member shall be entitled to one vote for each membership on all questions. Except as expressly provided elsewhere in these By-Laws, a simple majority of the voting power of the members shall prevail on all questions.

Section 6: Privilege of Members and Families of Members. Members and families of members shall be entitled to use common facilities of the Association, if any, without charge, dues or assessments other than the dues required of and assessments made upon each member pursuant to these By-Laws.

ARTICLE IV Meetings of Members

Section 1: Place of Meeting. All annual meetings of members shall be held at the principal office of the Association, or at such other place, subject to the limitations herein, as may be fixed from time to time by resolution of the Board of Directors, and all other meetings of members shall be held either at the principal office or at any other place within the County of Orange, State of California, which may be designated either by the Board of Directors pursuant to authority hereinafter granted to said Board, or by the written consent of all members entitled to vote thereat, given either before or after the meeting and filed with the Secretary of the Association.

Section 2: Annual Meetings. Annual meetings of members shall be held on the anniversary date of the first annual meeting at 8:00 o'clock p.m. local time of said day; provided that should said day fall upon a legal holiday, then any such annual meeting of members shall be held at the same time and place on the next day thereafter and ensuing which is not a legal holiday. Notwithstanding anything to the contrary contained herein, the first annual meeting shall be held either (i) one (1) year from the date of sale or lease (as the case may be) by the subdividers of the first residential dwelling lot of the development, or (ii) after fifty-one per cent (51%) of the residential dwelling lots of the development have been sold or leased, whichever event first occurs.

Written notice of each annual meeting shall be given to each member entitled to vote, either personally or by sending a copy of the notice through the mail or by telegraph, charges prepaid, to his address appearing on the books of the Association or supplied by him to the Association for the purpose of notice. If a member supplies no address, notice shall be deemed to have been given him if mailed to the address of the lot affected, or published at least once in some newspaper of general circulation in the County of Orange. All such notices shall be sent to each member entitled thereto not less than ten (10) nor more than sixty (60) days before each annual meeting, and shall specify the place, the day, and the hour of such meeting.

Section 3: Special Meetings. Special meetings of 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 one or more members holding not less than twenty per cent (20%) of the voting

power of the Association. 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 members. Notices of any special meeting shall specify in addition to the place, the day, and hour of such meeting, the general nature of the business to be transacted.

Section 4: Adjourned Meetings. Any members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of members present or represented at such meeting and entitled to cast a majority of votes represented at such meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called. In the absence of a quorum, no other business may be transacted at any such meeting. It shall not be necessary to give any notice of such adjournment or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

Section 5: Entry of Notice. Whenever any member who is entitled to vote has been absent from any meeting of members whether annual or special, 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 each member, as required by law and the By-Laws of the Association.

Section 6: Quorum. The presence in person or by proxy of members entitled to cast in excess of one-half (1/2) of votes represented by all members of the Association shall constitute a quorum for the transaction of business. 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, provided, however, that at any meeting which has been adjourned for lack of a quorum, there shall be deemed a quorum if there are present at the meeting when reconvened pursuant to Section 4 of this Article IV at least one quarter (1/4) of votes represented by all members of the Association.

Section 7: Consent of Absentees. The transaction of any meeting of members, either annual or special, however called and noticed, shall be as valid as though had 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 entitled to vote, not present in person or by proxy, sign 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 records of the Association or made a part of the minutes of the meeting.

Section 8: Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the member executing it specified therein the length of time for which such proxy is to continue in force, which in no case shall exceed two (2) years from the date of its execution.

Section 9: Balloting. On all questions where a majority of the members deem it necessary, and in any event in the election or removal of members of the Board of Directors, ballots shall be cast secretly and in writing, folded in such a manner that the way in which the ballot is marked cannot be seen, and deposited into a receptacle. The ballots shall be counted immediately upon collection thereof by two (2) members selected by the Chairman of the meeting. The Chairman shall announce the results of the balloting immediately, and the ballots may be inspected by any member.

ARTICLE V

Directors

Section 1: Powers. Subject to limitations of the Articles of Incorporation or the By-Laws, or the California Corporations Code as to action to be authorized or approved by the members, and subject to

the duties of directors as prescribed by the By-Laws, all corporate powers shall be exercised by or under authority of, and the business and affairs of the Association shall be controlled by the Board of Directors; without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers, to wit:

(a) To select and remove all the other officers, agents and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service;

(b) To conduct, manage and control the affairs and business of the Association, to maintain the common areas within the development, if any, and the recreational facilities of the Association, and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation, or the By-Laws, as they may deem best;

(c) To adopt, make and use a corporate seal, and to prescribe the forms of certificates of membership, and to alter the form of such seal and of such certificates from time to time, as in their judgment they may deem best, provided such seal and certificate shall at all times comply with the provisions of law;

(d) To authorize the issue of memberships to such persons as shall be eligible for membership as in Article III of these By-Laws provided;

(e) To appoint an executive committee, and to delegate to such committee, subject to the control of the Board of Directors, any of the powers and authority of said Board except the power to adopt, amend, or repeal the By-Laws;

(f) To enforce the provisions of that Declaration of Covenants, Conditions and Restrictions recorded on February 4, 1970, as Instrument NO. , Official Records of Orange County, California ("Declaration") against the development.

(g) To exercise all powers and authorities set forth in the Declaration including, without limitation, the assessment powers therein;

(h) To contract and to pay for maintenance, gardening, utilities, materials and supplies, and services relating thereto within the development and to employ personnel reasonably necessary for the operation of the project including lawyers and accountants where appropriate;

(i) To pay taxes and special assessments which are or would become a lien on the property of the Association, if any;

(j) To contract and pay premiums for fire, casualty, liability and other insurance, including indemnity and other bonds, on said facilities, if any;

(k) Where appropriately authorized pursuant to Section 7 of Article VIII herein, to pay for reconstruction of any common area facilities;

(l) To delegate its powers.

Notwithstanding any or all of the foregoing powers, the Board of Directors shall not enter into any contracts which bind it or the Association for a period in excess of one (1) year, with the owner, subdivider or agent unless reasonable cancellation provisions are included therein.

Section 2: Number and Qualification of Directors. The Board of Directors shall consist of three (3) directors until changed by appropriate amendment.

Section 3: Election, Term of Office, and Removal. The directors shall be elected at each annual meeting of members to serve for a term of one (1) year, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of members held for that purpose. Any director may be removed at any meeting of the members. All directors, unless removed, shall hold office until their respective successors are elected. In any vote for the election of or removal of a more than one (1) director, members shall be entitled to cumulate their votes; that is, all or any part of the total number of votes that each member has (based upon one vote per member

for each vacancy to be filled or director to be removed) may be cast for the election of or removal of any one director. The first election shall be held either (i) one (1) year from the date of sale or lease (as the case may be) by the subdivider of the first residential dwelling lot in the development or (ii) after fifty-one per cent (51%) of the residential dwelling lots in the development have been sold or leased whichever event first occurs. The directors selected by the subdivider to serve until such time shall be employed only until said first annual election.

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 elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting called for that purpose.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation, or sale of his residential estate by any director, or if the members shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized, or at an adjournment thereof, to elect the additional directors so provided for, or in case the members fail at any time to elect the full number of authorized directors, or if a director is removed by the members.

The members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the By-Laws is voted authorizing an increase in the number of directors.

If any director tenders his resignation to the Board of Directors, the Board shall have power to elect 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 term of office.

Section 5: Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of the Association, or any other place or places within or without the State of California, designated at any time by resolution of the Board or by written consent of all members of the Board.

Section 6: Organization Meeting. Immediately following each annual meeting of 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 meetings is hereby dispensed with.

Section 7: Other Regular Meetings. Other regular meetings of the Board of Directors may be held without call at such place and day and hour as may be fixed from time to time.

Section 8: Special Meetings. Special meetings of the Board for any purpose or purposes whatsoever may be called at any time by the Chairman of the Board or by any two (2) directors, and upon notice duly given in the manner provided in Section 2 of Article IV of these By-Laws, and specifying, in addition to the place, the day and the hour of such meeting, the general nature of the business to be transacted thereat.

Section 9: Majority Rule. Except as expressly provided elsewhere in these By-Laws, a simple majority of the voting power of the directors shall prevail on all questions.

Section 10: Election of Officers. All officers shall be chosen by vote of the Board of Directors. Balloting of officers shall be in the manner provided in Section 9 of Article IV regarding the election of directors.

Section 11: Directors Acting Without a Meeting by Unanimous Written Consent. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting and with the same force and effect as if taken by a unanimous vote of Directors, if authorized by a writing signed by all members of the Board. Such consent shall be filed with the regular minutes of the Board.

ARTICLE VI Officers

Section 1: Officers. The President, Vice President, Secretary and Treasurer of this Association, and

such other officers of this Association, having the custody of, or access to, the funds of this Association, shall be, and each of them is, hereby required to obtain and furnish to this Association a bond from such bonding or insurance company and in such form as shall meet with the approval of the Board of Directors, for the true and faithful accounting to this Association of all of the funds of this Association in the custody of, and under the control of, each such officer and insuring this Association against loss for breach thereof, the cost of all such bonds to be paid by this Association.

Section 2: Election. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen annually by the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his 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 Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the By-Laws or as the Board of Directors, from time to time, may determine.

Section 4: Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board, 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 to the President or to the Secretary of the Association. 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 By-Laws for regular appointments to such office.

Section 6: President. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have general supervisions, direction, and control of the business and officers of the Association. He shall preside at all meetings of the members and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be ex-officio a member of all the 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 an association, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-Laws.

Section 7: Vice President. In the absence or disability of the President, the Vice President in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or by the By-Laws.

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 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 directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the Association's transfer agent, a membership register, or a duplicate membership register, showing the names of the members and their addresses, and the property to which each membership shall relate, the number

of membership, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board of Directors required by the By-Laws or by law to be given, and he shall keep the seal of the Association 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 By-Laws.

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 Association. The books of account shall at all times be open to inspection by any director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-Laws.

ARTICLE VII Miscellaneous

Section 1: Record Date and Closing Membership Register. The Board of Directors may fix a time, in the future, not exceeding fifteen (15) days preceding the date of any meeting of members, and not exceeding thirty (30) days preceding the date fixed for the payment of any distribution, as a record date for the determination of the members entitled to notice of and to vote at any such meeting, or entitled to receive any such distribution, and in such case only members of record on the date so fixed shall be entitled to notice of and to vote at such meeting, or to receive such distribution, as the case may be, notwithstanding any transfer of any memberships on the books of the Association after any record date fixed as aforesaid. The Board of Directors may close the books of the Association against transfers of memberships during the whole, or any part, of any such period.

Section 2: Inspection of Corporate Records. The membership register or duplicate membership register, the books of account, and minutes of proceedings of the members and directors shall be open to inspection upon the written demand of any member, at any reasonable time, and for a purpose reasonably related to his interests as a member, and shall be produced at any time when required by the demand of members entitled to cast at least ten percent (10%) of the votes represented at any members' meeting. Such inspection may be made in person or by an agent or attorney, and shall include the right to make extracts. Demand of inspection other than at a members' meeting shall be made in writing upon the President, Secretary, or Assistant Secretary of the Association. Every such demand, unless granted, shall be referred by such officer to the Board of Directors.

Section 3: Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, 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 4: Contract, Etc., How Executed. The Board of Directors, except as in the 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 of 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 or employee shall have any power or authority to bind the Association by any contract or engagement or pledge its credit or to render it liable for any purpose or to any amount.

Section 5: Certificates of Membership. A certificate or certificate for membership in the Associa-

tion shall be issued to each member. All such certificates shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary.

Section 6: Audit of Accounts. All accounts of the Association shall be audited annually, as soon as practicable after the close of the books for each year of operation, by an independent, recognized accounting firm, to be selected by the Board of Directors, and the report of such audit shall be made available to each member within thirty (30) days of completion.

Section 7: Damage to or Destruction of Association Property. In the event that any of the property of the Association is totally or partially damaged or destroyed by fire or other casualty, the Board shall obtain an estimate or estimates of the cost to repair such damage, and a special meeting of the members shall be called forthwith. The members shall vote at such meeting whether or not to repair the damaged facilities, using, insofar as possible, the proceeds of insurance. In the event that a decision is made not to rebuild, any insurance proceeds shall be distributed in accordance with the provisions of Article NINTH of the Articles of Incorporation of the Association.

ARTICLE VIII Amendments

Section 1: Powers of the Members. The By-Laws of this Association may be adopted, amended or repealed either at a meeting by the vote of members entitled to exercise a seventy-five percent (75%) of the voting power or by the written assent of such members.