

BY-LAWS
OF
LODESTAR HOMEOWNERS ASSOCIATION

ARTICLE I
IDENTIFICATION

Section 1.01 Name: The name of this corporation is the Lodestar Homeowners Association, hereinafter referred to as the "Association."

Section 1.02 Principal Office: The principal office of the Association shall be in Nevada County, California, at such specific location therein as may be, from time to time, designated by the Board of Directors of the Association.

Section 1.03 Fiscal Year: The fiscal year of the Association shall be that selected by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 2.01: "Subdivision" shall mean all that real property comprised of Unit 1 of the Lodestar Subdivision as recorded in the official of the County Recorder of Nevada County, State of California, and all that real property subsequently annexed thereto as Unit 2 of the Lodestar Subdivision as provided for herein.

Section 2.02: "Developer" shall mean Basic American Corporation.

Section 2.03: "Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions applicable to the Subdivision and filed in the office of the County Recorder of Nevada County on _____, 1977, in Book _____ at Page _____, and any amendments thereto as may be from time to time made in accordance with the terms thereof.

Section 2.04: All other terms used herein shall be defined in accordance with the definitions section of the Declaration, which section is made a part hereof through incorporation by reference.

ARTICLE III
PURPOSE AND POWERS

Section 3.01 PURPOSE: The purposes for which the Association is formed are:

(a) Specifically and primarily to provide for the maintenance of all common facilities and areas within Units 1 and 2 of the Lodestar Subdivision located in the County of Nevada, State of California, including but not limited to, roads, gates, drafting ponds for fire protection purposes and parcel "X" and any parcel subsequently designated as a common area and any recreational facilities constructed or situated upon any of said common areas.

(b) Generally to exercise all of the powers and privileges and to perform all of the duties and obligations of the Association arising from any covenants, conditions and restrictions applicable to the above-named property.

Section 3.02 POWERS: The Association shall do whatever is necessary, conducive, incidental or advisable to accomplish and promote its objectives and purposes, except the carrying on of a business or trade for profit, and in connection therewith shall have, but shall not be limited to, the following powers:

(a) To acquire real, or personal property, by gift, purchase or other means;

(b) To hold, own, enjoy, lease, operate, maintain, convey, sell, assign, transfer, mortgage or otherwise encumber, or dedicate for public use, any real or personal property owned by it;

(c) To exercise the powers and functions granted to it in the Declaration of Recorded Restrictions affecting property in the subdivision;

(d) To own, construct, maintain and operate recreational facilities of all kinds on the common areas within the subdivision and to contract for the maintenance of said recreational facilities and to prescribe rules and regulations for the use of said facilities;

(e) To maintain, rebuild, repair, beautify and otherwise care for all streets within the subdivision not subject to maintenance by governmental authority;

(f) To care for vacant, unimproved or unkept for parcels or any improvements thereon as provided for in the Declaration of Recorded Restrictions and for that purpose the right to enter in and upon any parcel within the subdivision;

(g) To pay taxes and assessments, if any, levied by any governmental authority on property owned by it;

(h) To enforce covenants, conditions, restrictions, charges, easements, and agreements existing upon or created for the benefit of the real property within the subdivision and for that purpose the right to enter in and upon any parcel within the subdivision;

(i) To appoint for the Board's term such committees as may be necessary to, or convenient for, the discharge of any of its obligations or powers;

(j) To levy annual charges upon its members and to declare the same a lien against the properties subject thereto in accordance with the Declaration of Recorded Restrictions;

(k) To prescribe and enforce motor vehicle speed limits within the subdivision;

(l) To sue to collect any charges not paid and in connection therewith to foreclose any lien granted to it;

(m) To borrow money, contract debts and secure the payment or performance of its obligations;

(n) To expend its monies for the payment and discharge of all proper costs, expenses and obligations incurred in carrying out all or any of these powers in furtherance of its purposes and objectives;

(o) To contract and pay premiums for fire, casualty, liability and other insurance, including indemnity and other bonds;

(p) To contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to property

or facilities owned, or operated, by it and to employ personnel reasonably necessary for the administration of its affairs, including legal counsel and accountants; and

(g) To do all other acts necessary or expedient for the administration of its affairs and the attainment of its purposes.

ARTICLE IV
MEMBERSHIP

Section 4.01 MEMBERSHIP: Membership in the Association is limited to the owners of parcels within the subdivision, except for such parcels as are owned by a public agency, or entity, and is automatic with and appurtenant to such ownership. It shall not be separated from ownership of any parcel nor shall any person who is a non-owner become a member.

Section 4.02 CLASSES: The Association shall have two classes of voting membership:

(a) Class A members shall be all owners, with the exception of the DEVELOPER, or any public entity, or agency, and each such Class A owner shall be entitled to one vote for each parcel owned, regardless of the size of said parcel. When more than one person holds an interest in any parcel, all such persons collectively shall be classified as the owner of the parcel.

(b) The Class B member shall be the DEVELOPER who shall be entitled to one vote for each parcel owned. Class B membership shall cease and be converted into Class A membership upon the happening of whichever of the below listed events occurs first in time:

- (1) The total outstanding votes held by Class A members equal the total outstanding votes held by the Class B members;
- (2) The second anniversary of the original issuance of the most recently issued public report for Unit 2 of the subdivision;
- (3) Not later than the fourth anniversary of the original issuance of the public report for Unit 1 of the subdivision.

ARTICLE V

EVIDENCE OF MEMBERSHIP AND TRANSFER

Section 5.01 MEMBERSHIP CERTIFICATES: Certificates of Membership in the Association shall be issued to all members. They shall be in such form as the Board shall designate and shall be issued over the signatures of the President, or Vice-President, and Secretary/Treasurer. Either or both of said signatures may be facsimile signature. A certificate book shall be maintained in which shall be shown the name of the member, the certificate number, the date of issue and a sufficient description of the parcel upon which such membership is based. Membership of the DEVELOPER need not be evidenced by certificates of membership.

Section 5.02 PROOF OF MEMBERSHIP: The sole qualification for membership shall be ownership of a parcel as holder of the fee simple title, or as a person, persons, or legal entity who has contracted to purchase the title to a parcel pursuant to a written agreement with the record owner of said parcel. No person, persons, or legal entity shall exercise the rights of membership until satisfactory proof has been furnished to the Secretary/Treasurer of the Association of such person, persons, or legal entity's qualification as a member. Such proof may consist of a copy of a duly executed and acknowledged grant deed, contract of sale with the record owner, or title insurance policy showing said person, persons, or legal entity as the record owner of a parcel within the subdivision. Said deed, contract, or policy shall be deemed conclusive in the absence of any conflicting claims based upon a later deed, contract, or policy.

Section 5.03 TRANSFER: Memberships in the Association are transferable only upon the conveyance of the parcel giving rise to such membership and any other attempted transfer, or assignment, of such membership shall be null and void at the outset. Transfers of record which occur by reason of the conveyance of any lot subsequent to the initial conveyance from the DEVELOPER shall be subject to payment of all indebtedness to the

Association of the member whose membership is transferred.

Section 5.04 ISSUANCE: Members shall be entitled to exercise all of the rights and privileges of membership, and they shall be subject to all of the obligations and the liabilities thereof, without the actual issuance and possession of certificate of membership; provided, however, that the Association shall incur no liability for failure to give adequate notice to members who are not of record.

ARTICLE VI

MEETINGS OF MEMBERS

Section 6.01 PLACE OF MEETINGS: Meetings of the Association shall be held in the County of Nevada, State of California, at a designated location which lies within a radius of not greater than twelve (12) miles from the subdivision.

Section 6.02 ANNUAL MEETING:

(a) The first meeting of the Association shall be held within 45 days after the closing of the sale of the subdivision interest which represents the fifty-first percentile interest authorized for sale under the first public report for the subdivision, or not later than six (6) months after the closing of the sale of the first subdivision interest, whichever event occurs first.

(b) Thereafter the annual meeting of the members of the Association for the election of Directors whose terms have expired and for the transaction of such other business as may properly come before the meeting, shall be held at such hour and on such day during the months of May, June or July of each year, as shall be determined by the Board.

Section 6.03 NOTICE: Written notice of each annual meeting shall be given to each member entitled to vote thereat, either by personal delivery, by mail or other means of written communication, charges prepaid, addressed to such member at his record address appearing on the books of the Association. All such

notices shall be sent to each member entitled thereto not less than 15 and not more than 60 days before each annual meeting, and shall specify the place, the date and the hour of such meeting, and shall also state the general nature of the business or proposal to be considered or acted upon at such meeting.

Section 6.04 SPECIAL MEETING: Special meetings of the members for any purpose or purposes whatsoever may be called at any time by the Board, the Chairman of the Board, the President, or by members holding not less than ten (10) percent of the voting rights of the membership of the Association then entitled to vote. 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, date and hour of such meeting, the general nature of the business to be transacted.

Section 6.05 ADJOURNED MEETINGS AND NOTICE THEREOF:

(a) Any members' 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 voting rights present in person or represented by proxy thereat, but in the absence of a quorum no other business may be transacted at any such meeting.

(b) When any members' meeting, either annual or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; otherwise it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken.

Section 6.06 QUORUM:

(a) The presence in person or by proxy of members holding FORTY (40) percent of the voting rights entitled to vote at any meeting 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 any action so taken, other than adjournment, is approved by members holding voting rights sufficient to constitute at least a majority of the voting rights required to constitute a quorum.

(b) If any meeting, annual or special, cannot be held for lack of a quorum, the same may be adjourned, as hereinabove provided, for a period of not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the quorum requirement shall be reduced to the presence in person or by proxy of members holding not less than TWENTY FIVE (25) percent of the voting rights entitled to vote.

Section 6.07 VOTING:

(a) Except as otherwise provided by law, only members in whose names memberships entitled to vote stand on the records of the Association on the record date for voting purposes, fixed as provided in ARTICLE X, Section 11.01, of these bylaws, shall be entitled to vote at such meeting.

(b) Except as otherwise provided herein, each member is entitled to one vote for each parcel owned by him. When more than one person holds an interest in any parcel, the vote for such parcel shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any one parcel.

(c) The casting of votes may be by voice vote, or by ballot, provided however, that all elections for Directors must be by secret ballot.

(d) In elections of Directors in which more than two positions are to be filled, every member entitled to vote at any election for Directors shall have the right to cumulate his votes and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he thinks fit. The candidates receiving the

highest number of votes, up to the number of Directors to be elected, shall be elected.

(e) While there exists more than one class of voting membership, whenever the vote, or written assent of the members of the Association are required, except with respect to those provisions wherein the voting rights held by the DEVELOPER are specifically excluded from consideration, the vote or written assent required within each class of membership shall bear the same ratio within each class as the total percentage required of the voting membership as a whole for the action so undertaken.

Section 6.08 ACTION WITHOUT MEETING: Any action, except as otherwise provided by law, which, under the applicable provisions of law, may be taken at a meeting of the members may be taken without a meeting if authorized by consent in writing filed with the Secretary/Treasurer of the Association which consent sets forth the action so taken and is signed by members holding voting rights of not less than the minimum number of votes necessary to authorize such action at a meeting at which the members holding all the voting rights entitled to vote thereon were present, personally or by proxy, and voted.

Section 6.09 PROXIES: Every member entitled to vote or execute consents shall have the right to do so either in person or by any agent or agents authorized by a written proxy executed by such member or his duly authorized agent and filed with the Secretary/Treasurer 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 person executing it specified therein the length of time for which such proxy is to continue in force, which in no event shall exceed seven (7) years from the date of its execution.

ARTICLE VII

DIRECTORS

Section 7.01 POWERS: Subject to any limitations of Articles of Incorporation, of these bylaws, and of the General

Nonprofit Corporation Law of California, and subject to the duties of Directors as prescribed by these bylaws, all corporate powers of the Association shall be exercised by or under the 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:

(a) To select and remove all officers, agents and employees of the Association and prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation of these bylaws;

(b) To conduct, manage and control the affairs and business of the Association or any of its facilities and to make such rules and regulations therefore as are not inconsistent with law, with the Articles of Incorporation of these bylaws;

(c) To change the principal office for the transaction of business of the Association from one location to another within the same county as provided in ARTICLE I, Section 1.02, hereof; to designate the place for the holding of any member's meeting or meetings; and to adopt and use a corporate seal;

(d) To take such steps as may be necessary to implement any of the powers of the Association as provided in ARTICLE III, Section 3.02, hereof, including the right of the Board of Directors to suspend the voting rights and rights to use the common area and the recreational facilities located thereon by a member for a period, not to exceed thirty (30) days, for any act by a member determined to have been an infraction of the Articles and Bylaws of the Association, or its published rules and regulations, at a meeting held at a time and date of which the member has received not less than three (3) days prior notice and at which the member has had an opportunity to be heard; and

(e) To appoint committees, and to delegate thereto any of the powers and authority of the Board in the management of

the business and affairs of the Association. Any such committee shall contain at least one Director.

Section 7.02 NUMBER AND QUALIFICATION: The authorized number of Directors of the Association shall be three until changed by an amendment of the Articles of Incorporation or by a bylaw amending this Section 7.02 duly adopted by the members. Except for employees of the DEVELOPER, Directors shall be members of the Association.

Section 7.03 ELECTION AND TERM OF OFFICE:

(a) Until the first meeting of the Association, the Directors of the Association shall be those individuals named in the Articles of Incorporation or their successors determined pursuant to Section 7.04 of this ARTICLE VII.

(b) At the first meeting of the Association, the Directors shall be elected by the members and all positions for Directors shall be voted on and filled at that election.

(c) At each annual meeting of members thereafter, the Directors shall be elected by the members; provided, however, that if for any reason 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. All Directors shall hold office until their respective successors are elected.

(d) At the first election of Directors, and each one thereafter, for so long as the majority of the voting power of the Association resides in the DEVELOPER, or there exists two outstanding classes of membership in the Association, as long as there are non-developer owners who have voted in the election, either in person or by proxy, not less than 20% of the incumbent Directors shall have been elected solely by the votes of such non-developer owners.

Section 7.04 VACANCIES:

(a) Vacancies in the Board may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director and each Director so elected shall hold office until his successor is elected at an annual or special meeting of the members.

(b) A vacancy or vacancies in the Board shall be deemed to exist in the case of the death, resignation, or removal of any Director, or if the authorized number of Directors be increased, or if the members fail at any annual or special meeting of members at which any Director or Directors are elected to elect the full authorized number of Directors to be voted for at that meeting, or if a vacancy is declared by the Board for any reason permitted by law.

(c) The members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors. If the Board accepts the resignation of a Director tendered to take effect at a future time, the Board, of the members shall have power to elect a successor, pursuant to the provisions hereof, to take office when the resignation is to become effective.

(d) No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

(e) A Director who has been elected to office solely by the votes of non-developer owners may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in non-developer owners.

(f) Unless the entire Board of Directors is removed from office by the vote of the members of the Association, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal is greater than the quotient arrived at by dividing the total number of votes that may be cast under cumulative voting procedures by a divider equal to one plus the authorized number of the members of the Board of Directors.

Section 7.05 REGULAR MEETINGS:

(a) As soon as possible following each annual meeting of the members of the Association, the Board shall hold a regular

meeting for the purpose of organization, election of officers and the transaction of other business. The Board shall hold such other regular meetings during the year at such intervals as the Board determines is necessary for the business to be transacted, but in no event shall the Board meet less than once every six (6) months.

(b) All regular meetings of the Board shall be held at a designated location within a radius of twelve (12) miles from the subdivision and a written notice of the time and place of such meetings shall be posted at a prominent place, or places, within the common area of the subdivision.

Section 7.06 SPECIAL MEETINGS:

(a) Special meetings of the Board for any purpose or purposes may be held at any time upon call by the President, or by any two Directors other than the President.

(b) Special meetings of the Board shall be held upon four (4) days notice by mail, or 48 hours notice delivered personally, or by telephone, or telegraph, which notice shall specify the time and place of the meeting and the nature of the particular business to be transacted. Delivery as above provided shall constitute due, legal and personal notice to such Director.

(c) In addition, notice of all special meetings shall be posted at a prominent place, or places, within the common area of the subdivision not less than seventy two (72) hours prior to the scheduled time of the meeting.

Section 7.07 ATTENDANCE OF ASSOCIATION MEMBERS: Regular and special meetings of the Board shall be open to all members of the Association. However, in no event, shall members of the Association who are not members of the Board participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

Section 7.08 EXECUTIVE SESSION: The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting

and reconvene in executive session to discuss and vote upon personal matters or 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 7.09 WAIVER OF NOTICE: 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 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 a 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 7.10 QUORUM: A majority of the authorized number of 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 unless a greater number be required by law or by the Articles of Incorporation.

Section 7.11 ADJOURNMENT AND NOTICE: A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than 24 hours, in which case notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

ARTICLE VIII

OFFICERS

Section 8.01 GENERAL:

- (a) The officers of the Association shall be a

President, a Vice-President, and a Secretary/Treasurer, each of whom shall be elected by the Board. Officers, other than the President, need not be Directors. One person may not hold two or more offices, except those of Secretary and Treasurer.

(b) Each officer 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; provided that officers may be appointed at any time by the Board for the purpose of initially filling an office or filling a newly created or vacant office.

Section 8.02 REMOVAL AND RESIGNATION:

(a) Any officer may be removed, either with or without cause, by a majority of the Directors in office at the time, at any regular or special meeting of the Board.

(b) Any officer may resign at any time by giving written notice to the Board or to the President, or to the Vice-President, or to the Secretary/Treasurer 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 8.03 VACANCIES: A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to such office.

Section 8.04 PRESIDENT: The President, who shall be chosen from the Board, shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Association. He shall preside at all meetings of the members and of the Board. He shall be an ex officio member of all the standing committees, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and such other powers and duties as may be prescribed by the Board or these bylaws.

Section 8.05 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 the powers of and be subject to all the restrictions upon the President. The Vice-President shall have such other powers and perform such other duties as may be prescribed by the Board, the President or these bylaws.

Section 8.06 SECRETARY/TREASURER:

(a) The Secretary/Treasurer shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and members, or a duplicate thereof, 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.

(b) The Secretary/Treasurer shall keep or cause to be kept, in any form permitted by law, at the principal office or such other place as the Board may order, a membership register, or a duplicate thereof, showing the names of the members and their addresses, the description and number of lots, if more than one, upon which such membership is based, the number and the date of membership certificates issued, and the number and date of cancellation of membership certificates surrendered for cancellation.

(c) The Secretary/Treasurer shall give, or cause to be given, notice of all the meetings of the members and of the Board required by these bylaws or by law to be given and 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, the President or these bylaws.

(d) The Secretary/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, including accounts of its assets, liabilities, receipts, disbursements,

gains, or losses. The books of account shall at all times be open to inspection by any Director.

(e) The Secretary/Treasurer shall deposit all monies and other valuables in the name of and to the credit of the Association with such depositaries as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Secretary/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, the President or these bylaws.

ARTICLE IX
ASSESSMENTS

Section 9.01 GENERAL: The Association shall have the power to levy uniform annual and special assessments as herein set forth. All assessments shall be prepaid on an annual basis to the Association.

Section 9.02 ANNUAL ASSESSMENTS:

(a) From and after January 1 of the year 1980, and annually thereafter, within a period of not less than sixty (60) days prior to the beginning of the fiscal year of the Association as established by the Board, the Board shall consider the current and future needs of the Association and based upon those needs shall establish a projected budget for the operation of the Association during the coming fiscal year. Immediately upon its completion, and within the same sixty (60) day time period, it shall be the obligation of the Board to distribute to the members of the Association a copy of the budget thus projected. Based upon that budget, the Board shall fix by resolution the amount of the annual assessment at an amount not in excess of \$ per parcel which annual assessment may be increased or decreased by vote of the members, other than the DEVELOPER, holding 51% of the voting rights entitled to vote. Each such

annual assessment shall be a debt of the member at the time such levy is made.

(b) At such time as the Board has accumulated the sum of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) in an interest bearing account, the Board in its discretion may waive the requirement of annual assessments until such time as the amount on deposit in said interest bearing savings account drops below said sum.

Section 9.03 SPECIAL ASSESSMENTS:

(a) Special assessments may be made by the Board from time to time, as they are necessary against the owners and the parcels of said owners for the reasonable costs incurred by the Association to remedy and correct conditions in and upon said parcels in accordance with the provisions of Sections 7. and 9., contained in the Declaration of Covenants, Conditions and Restrictions as recorded against the subdivision, and any amendments subsequently made thereto. Such special assessments will be reasonably related to the costs incurred by the Association and shall become a part of the annual assessment against said owner and said parcel.

(b) No special assessments for the construction of capital improvements by the Association are contemplated, as all capital improvements contemplated for the subdivision in accordance with the subdivision plans filed with the California Department of Real Estate are to be constructed by DEVELOPER. Provisions for special assessments by the Association for the construction of capital improvements are herewith specifically omitted and these bylaws must be amended in order to provide the Association with the power to levy special assessments for the construction of new, or additional, capital improvements within the subdivision.

Section 9.04 SUSPENSION: The Association shall not transfer membership on its books, or allow the exercise of voting rights or use of the common area or its facilities to any owner or any person claiming under them, including subsequent

assigns or transferees, unless or until all such assessments and charges to which the parcel relating to said membership has been paid.

Section 9.05 LIEN: If not so paid, the amount of such assessment, plus any other charges thereon, including interest at the rate of ten (10) per cent per annum from the date of delinquency, and costs of collection and attorneys' fees, if any, shall constitute and become a lien on the parcel so assessed when the Board causes to be recorded in the offices of the County Recorder of Nevada County, California, a notice of assessment which shall state the amount of such assessment and such other charges and the legal description of the parcel which has been assessed. Such notice shall be signed by the Secretary/Treasurer of the Association on behalf of the Association. Upon payment of such assessment and charges, or other satisfaction thereof, the Board, shall within a reasonable time thereafter, cause to be recorded a further notice stating the satisfaction and release of said lien.

Section 9.06 PRIORITY OF LIEN: Such liens shall be prior to all other liens recorded subsequent to said notice of assessment, except for any governmental liens for taxes and other governmental assessments having statutory priority. Conveyance of any parcel shall not affect any lien for assessments provided for herein, and such liens shall attach to the parcel and run with the land to all subsequent transferees.

Section 9.07 ENFORCEMENT: The lien provided for herein may be foreclosed by suit in behalf of the Association in like manner as any trust deed, and in such event, the Association may be a bidder at the foreclosure sale. The Association may also pursue any other remedy which is available to the Association at law or in equity against any owner for the collection of any monies due as a result of such assessment.

Section 9.08 EXEMPT PROPERTY: All properties dedicated to, and accepted by, a state or local governmental entity or authority shall be exempt from the assessments created herein.

ARTICLE X

LIMITATION OF POWERS

Section 10.01 DEPOSIT OF FUNDS: All monies collected by the Association as the proceeds from annual and special assessments in excess of the sum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) shall be maintained in an interest bearing savings account. All monies in an amount of less than the sum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) may be held on deposit in a checking or other demand account.

Section 10.02 EXPENDITURE OF FUNDS: The Board shall have the authority to expend up to the sum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) without prior approval from the Association, to carry into effect any of the purposes declared herein. Any expenditures in excess of the sum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) shall require the affirmative vote of a simple majority of all members of the Association entitled to vote.

Section 10.03 GENERAL LIMITATIONS: The Board of Directors is prohibited from taking any of the following actions without the prior vote, or written consent, of members, other than the DEVELOPER, holding a majority of the voting power of the Association:

(a) Contracting with third persons for a term longer than one year for the furnishing of goods, or services, for the common area, except:

(1) Entering into a management contract approved by the Federal Housing Administration or Veterans Administration;

(2) Contracting with the Public Utility Company at rates regulated by the Public Utilities Commission provided however, that the term of the contract shall not exceed the shortest term for which the utility will contract at the regulated rate;

(3) Contracting for prepaid casualty and/or liability policies of insurance for a term not to exceed three (3) years duration, provided that any set policy permits for short-rate cancellation by the insured.

(b) Incurring aggregate expenditures for capital

improvements to the common areas in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year.

(c) The selling during any fiscal year of property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that year.

(d) The payment of compensation to members of the Board, or its officers, for services performed in the conduct of the Association's business provided however, that the Board may cause a member, or officer, to be reimbursed for expenses reasonably incurred in carrying on the business of the Association.

ARTICLE XI

MISCELLANEOUS

Section 11.01 RECORD DATE: The Board may fix a time in the future as a record date for the determination of the members entitled to notice of and to vote at any meeting of members. The record date so fixed shall not be more than 30 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 and to vote at the meeting, notwithstanding any transfer of or issuance of membership certificates on the books of the Association after the record date.

Section 11.02 INSPECTION OF RECORDS:

(a) The membership register, or duplicate membership register, the books of account and minutes of the meetings of the members, the Board and its committees, if any, shall be open to inspection and copying by any member, or by his designated representative, for a purpose reasonably related to the member's interest, at any reasonable time at the office of the Association, or at such other place within the subdivision as the Board shall prescribe.

(b) The Board shall establish reasonable rules with

respect to: the required notice to be given by the member seeking inspection to the custodian of the records; the time and days when and the location where such an inspection may be made; and the cost for the reproduction of copies of any documents requested by a member.

(c) Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

Section 11.03 ANNUAL ACCOUNTING: Within sixty (60) days after a period of six (6) months from the date of closing of the first sale of an interest in the subdivision, an operating statement and a balance sheet accounting shall be prepared covering said six month period and distributed to each member of the Association. The operating statement shall include a schedule of assessments received and receivable, identified by the parcel number representing the subdivision interest and the name of the member thus assessed. Thereafter, an annual report and account, including a statement of income and disbursements, shall be sent to the members not later than 90 days after the close of the Association's fiscal year.

Section 11.04 EXTERNAL AUDITS: An external audit by an independent public accountant, shall be required for the fiscal year financial statement, other than budgets, in any fiscal year in which the gross income to the Association exceeds SEVENTY FIVE THOUSAND DOLLARS (\$75,000.00).

Section 11.05 EXECUTION OF CONTRACTS: The Board, except as may be otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument or document in the name of and on behalf of the Association and such authority may be general or confined to specific instances. Unless otherwise specifically determined by the Board or otherwise required by law, formal contracts, promissory notes and other evidences of indebtedness, deeds of trust,

mortgages and other corporate instruments or documents requiring the corporate seal, shall be executed, signed or endorsed by the President (or Vice-President) and by the Secretary/Treasurer.

Section 11.06 CHECKS AND DRAFTS: 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 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.

Section 11.07 INSPECTION OF BYLAWS: The Association 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/Treasurer, which shall be open to inspection by the members at all reasonable times.

Section 11.08 DISSOLUTION: In the event of the dissolution of the Association, each member shall receive his pro-rata portion of the Association's property and assets after all of its debts and liabilities have been paid or provided for.

ARTICLE XII

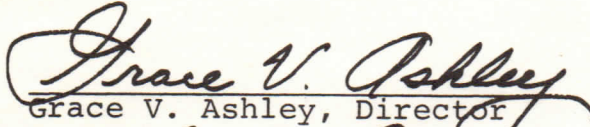
AMENDMENTS

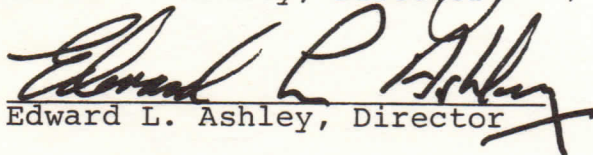
New bylaws may be adopted or these bylaws may be amended or repealed by the vote or written consent of members entitled to vote whose voting rights constitute at least a bare majority of a quorum, but not more than a bare majority of the voting power of the Association and at least a bare majority of the votes of members other than the Developer.

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, being a majority of the persons appointed in the Articles of Incorporation to act as the first Board of Directors of the Lodestar Homeowners Association hereby assent to the foregoing Bylaws, and adopt the same as the Bylaws of said Corporation.

IN WITNESS WHEREOF, we have hereunto set our hands this day of October 7, 1977.


Grace V. Ashley, Director


Edward L. Ashley, Director

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of the Lodestar Homeowners Association and that the above and foregoing Bylaws were adopted as the Bylaws of said Corporation on the 7th day of October, 1977, by a majority of the persons appointed in the Articles of Incorporation to act as the first directors of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of October, 1977.


Edward L. Ashley, Secretary

AMENDMENT

TO

BY-LAWS

OF

LODESTAR HOMEOWNERS ASSOCIATION

The following amendments to the By-Laws of the Lodestar Homeowners Association were approved by majority vote during calendar year 1983:

Article VI, Section 6.07 Voting:

Section 6.07 (d) was amended to preclude a member from cumulating his votes. The members entitled to vote were to cast one vote for each vacancy in the Board of Directors.

Article VII, Section 7.02 Number and Qualification:

Section 7.02 was amended to increase the authorized number of Directors of the Association to five (5).

Section 7.05 (b) was amended to increase the mileage to 50 miles for the regular meetings as a possible means of generating more interest for attending annual meetings.