

Bylaws

for

The Rosalena Owners' Association, Inc.

If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

BYLAWS OF
 THE ROSALENA OWNERS'
 ASSOCIATION, INC.
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BYLAWS
OF
THE ROSALENA OWNERS' ASSOCIATION, INC.

ARTICLE 1 - Definitions

The terms used herein shall have the same meanings as given to said terms in the Declaration of Covenants, Conditions and Restrictions for Rosalena of Batiquitos recorded _____, 1988, File/Page No. 88-_____, Official Records of San Diego County, California ("the Declaration"), as the same may from time to time be amended.

ARTICLE 2 - Functions of the Association

2.1 Primary Purposes.

2.1.1 The primary purposes of the Association are to (i) act as a "management body" for the management, preservation, maintenance, architectural control and improvement of the Project, (ii) promote the health, safety and welfare of the Members and (iii) exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in the Declaration. The Association is subject to the limitations, covenants, conditions, restrictions, terms and provisions of the Declaration.

2.2 Assessments.

2.2.1 Pursuant to the Article of the Declaration entitled "Assessments," it shall be the duty of the Board of Directors to fix, alter, collect and enforce assessments upon the Owners. Each Owner shall be liable to pay to the Association each assessment levied upon such Owner's Unit(s) under the provisions of the Declaration.

ARTICLE 3 - Meetings of Members

3.1 Place of Meetings.

3.1.1 All meetings of Members shall be held within the Project or at such other place in San Diego County, California, in reasonable proximity to the Project, as may be designated for that purpose from time to time by the Board of Directors. Unless unusual conditions exist, as determined solely by the Board of Directors, Members' meetings shall not be held outside of said county.

3.2 Annual (Regular) Meetings.

3.2.1 A regular meeting of Members shall be held annually. The first annual meeting of Members shall be held on such date and at such time as shall be designated by the Board of Directors, which date shall be within 45 days after the sale and conveyance by Developer and/or Builders of a majority of the Units, authorized for sale under the first final subdivision public report issued for any portion of the Project to purchasers (other than Developer or Builders), but in no event later than six months after the sale and conveyance by Developer or a Builder of the first Unit in the Project to a purchaser (other than Developer or a Builder). Subsequent annual meetings of Members shall be held on the anniversaries of the first annual meeting of Members and shall be held at such time and in such place as may be designated by the Board of Directors. If the date of the annual meeting as so determined is a legal holiday, then the meeting shall be held on the next-succeeding regular business day, at the same hour.

3.2.2 At the annual meeting, Members shall elect a Board of Directors, consider reports of the affairs of the Association and transact such other business as may properly be brought before the meeting.

3.3 Special Meetings.

3.3.1 Special meetings of Members, for any lawful purpose or purposes whatsoever, shall be called by the Board of Directors upon (i) the vote for such a meeting by a majority of a quorum of the Board of Directors or (ii) receipt by the Board of Directors of a written request for such a meeting signed by Members representing at least five percent of the total voting power of the Association.

3.3.2 Notwithstanding the provisions of Paragraph 3.4.1 to the contrary, whenever a special meeting of Members is called by Members representing at least five percent of the total voting power of the Association, upon request in writing signed by Members entitled to call a meeting of Members and delivered by first class, registered or certified mail to the Board of Directors at the principal office of the Association, or delivered to the Board of Directors in person, it shall be the duty of the Board of Directors forthwith to cause notice to be given to the Members that a meeting will be held at a time fixed by the Board of Directors not less than 35 nor more than 90 days after the receipt of the request; provided, however, if a special meeting is called to enforce the obligations under a bond obtained to secure completion of improvements in and to any Project Common Area, pursuant to section 2792.4 of Title 10 of the California Administrative Code, a meeting will be held at a time fixed by the Board of Directors not less than 35 nor more

than 45 days after receipt of the request. If said notice is not given within 20 days after receipt of the request, the Members entitled to call the meeting may fix the date and time of the meeting and give notice thereof in the manner provided by these Bylaws. The date of any meeting fixed by Members as hereinabove provided shall be at such time in the future as will permit adherence to the notice requirements set forth in Paragraph 3.4.

3.4 Notice of Meetings.

3.4.1 Written notice for meetings called by the Board of Directors, whether annual or special, shall be given to Members who are entitled to vote at such meetings not less than ten days nor more than 90 days before the date of such meeting; provided, however, that, if notice is given by mail and the notice is not mailed by first-class, registered or certified mail, notice shall be given not less than 20 days before the meeting. Notice of any meeting of Members, whether annual or special and whether called by the Board of Directors or by Members entitled to call a meeting of Members, shall specify the place, the date and time of the meeting and (i) in case of a special meeting, the general nature of the business to be transacted and that no other business may be transacted or (ii) in the case of an annual meeting, those matters which the Board of Directors, at the time notice is given, intends to present for action by the Members; provided, however, notwithstanding the foregoing, any proper matter may be presented for action by the Members at an annual meeting. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees for election to the Board of Directors at the time notice is given to Members.

3.4.2 Notices of meetings, whether annual or special, shall be given by the Board of Directors, or in the case of neglect or refusal by the Board of Directors, by any officer, director or Member. All notices shall be given either personally or by mail sent to the address of each Member appearing on the books of the Association or to the address supplied by it to the Association for the purpose of receiving notice. A notice mailed or delivered as part of a newsletter, magazine or other circular regularly sent to Members shall constitute written notice when addressed and mailed or delivered to the Member.

3.4.3 When a Members' meeting, either annual or special, is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting which is adjourned. A meeting adjourned for lack of quorum by those in attendance shall be set for a date not less than 5 days nor more than 30 days from the original meeting date. If (i) a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, (ii) for any reason a new date is fixed for the adjourned meeting after adjournment or (iii) the adjournment is for more than 30

days, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings. At the adjourned meeting the Association may transact any business which might have been transacted at the original meeting.

3.5 Consent to, Approval of or Attendance at Members' Meetings.

3.5.1 The transactions of any meeting of Members, whether annual or special, however called and noticed, shall be valid as though having occurred at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy, and if, either before or after the meeting, each Member entitled to vote thereat not present in person or by proxy, signs a (i) written consent to the holding of such meeting or (ii) written approval of the minutes thereof. All such consents or approvals shall be filed with the records of the Association or made part of the minutes of the meeting. Attendance of a Member at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the Member objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice but not so included, if such objection is expressly made at the meeting.

3.6 Action by Written Ballot.

3.6.1 Any action which may be taken at any regular or special meeting of Members, except for an election in which positions on the Board of Directors are to be filled, may be taken without a meeting if the Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall (i) set forth the proposed action, (ii) indicate the number of responses needed to meet the quorum requirement, (iii) provide an opportunity to specify approval or disapproval of any proposal (iv) state the percentage of approvals necessary to pass the proposal, (v) provide that where the Member solicited specifies a choice with respect to the proposal the vote shall be cast in accordance therewith and (vi) provide a reasonable time within which to return the ballot to the Association. Approval by written ballot pursuant to this paragraph shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. A written ballot may not be revoked.

3.6.2 Ballots shall be solicited in a manner consistent with the requirements of Paragraph 3.4.2. All such solicitations

shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

3.7 Quorum.

3.7.1 The presence in person or by proxy of Members entitled to exercise a majority of the voting power of the Association shall constitute a quorum at all meetings of Members for the transaction of business thereat. 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 taken (other than adjournment) is approved by at least a majority of the number of Members required to constitute a quorum.

3.7.2 In the absence of a quorum at the commencement of any meeting of Members, the Members entitled to vote thereat, present in person or by proxy, shall have the power, by the vote of a majority of the votes represented, to adjourn the meeting from time to time until the requisite number of Members shall be present or represented, but no other business may be transacted; provided, however, that any such adjournment shall be to a date not less than five and not more than 30 days from the date of the originally scheduled meeting. At such adjourned meeting the quorum requirement shall be reduced to the presence in person or by proxy of Members entitled to exercise 25 percent of the voting power of the Association. If the requisite number of Members constituting the reduced quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

ARTICLE 4 - Voting Rights

4.1 Members' Right to Vote.

4.1.1 Only persons who are Members of the Association shall be entitled to vote at a meeting of Members. Membership in the Association is more particularly described in the Article of the Declaration entitled "the Association."

4.2 Classes of Voting Members.

4.2.1 Members shall be divided into two classes for the purposes of voting, Class A and Class B. Class A Member(s) shall be all Owners (except Developer and Builders) and said Class A Member(s) shall be entitled to one vote for each Unit owned. The Class B Member(s) shall be Developer and each Builder, who shall each be entitled to three votes for each Unit owned by such person. Such Class B voting status shall cease and convert to

Class A voting status on the earlier occurrence of one of the following: (i) on that certain date which is two years after the original issuance by the DRE of the original Final Subdivision Public Report for the most recent phase of development for the Project or (ii) on that certain date which is four years after the original issuance by the DRE of the first Final Subdivision Public Report for the Project. If record title to a Unit is held in the name of more than one person, such persons shall collectively constitute a single Member and there shall be only one vote attributable to such Member (unless such Member is Developer or a Builder, in which case such Member shall have the number of votes attributable to Developer or a Builder as set forth in this paragraph). Each of such persons collectively constituting a single Member shall otherwise be individually entitled to the benefits of membership in the Association. The manner of casting and counting such vote shall be controlled by the provisions of the paragraph of these Bylaws entitled "Voting Rights; Required Vote; Cumulative Voting."

4.3 Voting Rights; Required Vote; Cumulative Voting.

4.3.1 On all matters, including the election of each director to be elected, a Member shall have the number of votes as set forth above for each Unit owned by said Member.

4.3.2 When a quorum is present at any regular or special meeting of Members, the affirmative vote of a majority of the Members of each voting class of the Association present at such meeting shall be required for Members to transact any business thereat, except (i) where the item of business is the enforcement of the obligations under a bond or other arrangement pursuant to the Article of the Declaration entitled "Developer/Builder's Security for Its Obligations" or (ii) as may be otherwise provided in these Bylaws, the Articles or the Declaration.

4.3.3 Every Member entitled to vote at any election of directors of the Association may cumulate its 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 it is entitled, or distribute its votes on the same principle among as many candidates as it may desire. Cumulative voting shall be required in all elections in which more than two positions on the Board of Directors are to be filled. Notwithstanding the foregoing, no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting and the Member has given notice at the meeting prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected directors of the Association.

4.3.4 For as long as (i) a majority of the voting power of the Association resides in Developer and Builders or (ii) there are two outstanding classes of Members for the purpose of voting as set forth in this Article 4, Developer and Builders shall not be entitled to vote in the election of one director or 20 percent of the directors to be elected, whichever is greater.

4.3.5 If a membership stands of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship respecting the same membership, unless the secretary of the Association is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, such act binds all, or (ii) if more than one vote, the act of the majority so voting binds all.

4.4 Proxies.

4.4.1 Every Member entitled to vote or to authorize action may do so either in person or by one or more agents authorized by a written proxy executed by such Member and filed with the Secretary of the Association. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from the date of execution. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this section. Such revocation may be effected by a writing delivered to the Association stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting or, as to any meeting, by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution.

4.4.2 Anything to the contrary notwithstanding, any revocable proxy covering matters requiring a vote of the Members with respect to (i) the removal of directors, (ii) the election of a director(s) to fill any vacancy(ies) on the Board of Directors, (iii) amendment of the Articles, (iv) amendment of these Bylaws repealing, restricting, creating or expanding proxy rights, (v) the winding up and dissolving of the Association or (vi) any other matters specifically set forth in California Corporations Code section 7613(g) is not valid as to such matters unless it sets forth the general nature of the matter to be voted on.

4.4.3 A proxy is not revoked by the death or incapacity of the maker or the termination of a membership as a result thereof unless, before the vote is counted, written notice of such death or incapacity is received by the Association.

4.5 Special Requirements for Proxies and Ballots.

4.5.1 Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board of Directors be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

ARTICLE 5 - Directors; Management

5.1 General Powers.

5.1.1 Subject to the limitations of the Declaration, the Articles, these Bylaws and the laws of the State of California as to action to be authorized or approved by Members, all Association 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. The Board of Directors may delegate the management of the activities of the Association to any person or persons, management company or committee however composed, provided that the activities and affairs of the Association shall be managed and all Association powers shall be exercised under the ultimate direction of the Board of Directors.

5.2 Specific Powers.

5.2.1 In addition to the general powers described above, the Board of Directors shall have the following specific powers:

(i) To adopt regulations not inconsistent with the provisions of the Declaration and these Bylaws, including, but not limited to, rules and regulations relating to the use of and activities permitted in any Project Common Area.

(ii) To maintain bank account(s) for funds coming under the control of the Association.

(iii) To levy regular and special assessments and otherwise act as set forth in, and subject to the provisions of, the Declaration, the Articles and these Bylaws.

(iv) To enforce the provisions of the Articles, the Declaration, these Bylaws, and any other instruments for the management and control of the Project; however, nothing contained in this Article shall be construed to prohibit enforcement of the Declaration by any Owner or Member.

(v) To contract for and maintain (a) fire, casualty, liability, worker's compensation, medical, hospital, directors' and officers' liability and other insurance insuring Owners, Members, directors and officers of the Association and other persons and (b) bonds of directors and other persons.

(vi) To contract, provide and pay for (a) maintenance, utility, gardening and other services benefiting any Project Common Area, (b) employment of persons necessary for operation of any building and (c) legal and accounting services.

(vii) To contract for and purchase tools, equipment, materials, supplies and other personal property and services for (a) maintenance and repair of any Project Common Area and (b) improvements to the Project.

(viii) To contract for and pay for reconstruction of any portion(s) of the Project damaged or destroyed.

(ix) To enter at all reasonable times, by it or its agents or independent contractors, any Unit when necessary in connection with maintenance, construction or emergency repair as to which the Association has rights hereunder.

(x) To pay taxes which would be a lien upon the entire Project or any Project Common Area or any portion thereof, and to pay and discharge any lien or encumbrance levied against the entire Project or any Project Common Area or any portion thereof.

(xi) To make available to, and reproduce upon the written request of, any Owner, any first Mortgagee, and the holders, insurers and guarantors of a first Mortgage encumbering any Unit, current copies of the Articles, Bylaws, Declaration, rules governing the Project, and other books, records and financial statements of the Association. The Board of Directors shall make the aforementioned documents available for inspection, upon request, during normal business hours or under other reasonable circumstances. The Association shall not impose or collect any assessment, penalty, or fee in connection with a transfer of title or any other interest except (i) the Association's actual cost of changing its records and (ii) a fee for providing copies of Project documents, records or statements so long as such fee shall not exceed the Association's reasonable cost to prepare and reproduce the requested items.

(xii) To prosecute or defend, in the name of the Association, any action affecting or relating to any Project Common Area, or any action in which all of the Owners have an interest in the subject thereof.

(xiii) To suspend temporarily the right of an Owner to use any recreational facilities within any Project Common Area for default in the payment of any regular or special assessment levied by the Association pursuant to the Declaration, or for violating any regulations adopted by or established by the Board of Directors to govern the use of and activity in any Project Common Area or for breaching any provision of the Declaration, the Articles or these Bylaws. Any suspension must be done in good faith and in a fair and reasonable manner. The Owner must be given 15 days' prior notice of the suspension. Notice must set forth reasons for the suspension and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Owner shown on the Association's records. The Owner must be provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the suspension by a properly convened meeting of the Board of Directors.

(xiv) To impose a reasonable monetary fine(s), if provided for in the Declaration or these Bylaws, upon an Owner for any breach of any of (a) the limitations, restrictions, conditions or covenants set forth in the Declaration (other than a breach by failure to pay an assessment(s)), (b) the provisions of the Articles or these Bylaws or (c) the rules and regulations adopted by the Board of Directors pursuant to the Declaration, the Articles or these Bylaws. The imposition of such fine(s) must be done in good faith and in a fair and reasonable manner. The Owner must be given 15 days' prior notice of the imposition of a fine(s). Notice must set forth reasons for the imposition of a fine(s) and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Owner shown on the Association's records. The Owner must be provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the imposition of a fine(s) by a properly convened meeting of the Board of Directors.

5.2.2 No right or power conferred on the Board of Directors in this Article shall be construed as a duty, obligation or disability charged upon the Board of Directors or any director. If any right or power herein granted be exercised, any directors so exercising or voting for such exercise shall act in good faith, in a manner such director believes to be in the best interests of the Association and with such care, including reasonable inquiry,

as an ordinarily prudent person in a like position would use under similar circumstances.

5.2.3 Any contract entered into, or instrument executed, by any two or more directors pursuant to resolution of the Board of Directors shall be (i) valid and subsisting according to the tenor of such contract or instrument and (ii) a charge upon all cash, bank accounts and other personal property under the control of the Board of Directors. So long as it acts within the scope of its authority as a director, no director shall have any personal liability under any such contract or instrument; however, the foregoing shall not be construed to relieve any director who is also an Owner from liability as such Owner.

5.2.4 Anything in this Article to the contrary notwithstanding, unless the Members have approved such action (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two voting classes of the Association or (ii) upon cessation of one of the two voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Developer and Builders, the Board of Directors may not:

(i) Enter into a contract with a third person for materials and/or services benefiting any Project Common Area or the Association for a term in excess of one year, except any:

(a) Management contract, the terms of which have been approved by the FHA or VA, if applicable;

(b) Contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(c) Prepaid casualty and/or liability insurance policy which does not exceed three years' duration provided that such policy permits for short rate cancellation by the insured; and

(d) Lease agreement for laundry room fixtures and equipment not to exceed five year's duration provided that the lessor under the agreement is not an entity in which Developer has a direct or indirect ownership interest of 10 percent or more.

(e) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five years duration provided that the supplier is

not an entity in which the Developer has a direct or indirect ownership interest of 10 percent or more.

(f) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years' duration provided that the supplier or suppliers are not entities in which the Developer has a direct or indirect ownership interest of 10 percent or more.

(ii) Incur aggregate expenditures for capital improvements to any Project Common Area in any fiscal year in excess of five percent of the budgeted gross expenses of the Association for such fiscal year, except as provided in the Declaration;

(iii) Sell, during any fiscal year of the Association, property of the Association having an aggregate fair market value greater than five percent of the budgeted gross expenses of the Association for that fiscal year;

(iv) Fill a vacancy on the Board of Directors created by the removal of a director; or

(v) Pay any compensation to any director or officer of the Association for services performed in the conduct of the Association's business; however, the Board of Directors may reimburse any such director or officer for expenses incurred by it in carrying on the business of the Association.

5.2.5 Anything contained in this Paragraph 5.2 to the contrary notwithstanding, the Board of Directors shall not have the power to authorize or approve any contract for the professional management of the Project, or any contract providing for the services of Developer or a Builder, which (i) does not permit the Association to terminate (a) for cause on 30 days' written notice and (b) without cause, or payment of a termination fee, on 90 days' or less written notice and/or (ii) has a term greater than three years. Further, the Board of Directors shall not have the power to grant to anyone easements or use rights which affect any Project Common Area; provided, however, that the Board of Directors may grant easements over, upon, under and across any Project Common Area for utilities, roads and other purposes which are reasonably necessary to the ongoing development and operation of the Project. Except as provided herein, no contract with the Association negotiated by Developer or a Builder shall exceed a term of one year unless such contract has been approved by the DRE.

5.2.6 The Board of Directors may, from time to time and as permitted by law, delegate any of the powers enumerated herein to the officers, committees and employees of the Association.

5.3 Specific Duties.

5.3.1 The Board of Directors shall do all of the following:

(i) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.

(ii) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis.

(iii) Review, on at least a quarterly basis, the current year's actual revenues and expenses compared to the current year's budget.

(iv) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.

(v) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

5.4 Number.

5.4.1 The authorized number of directors of the Association shall be five until changed by an amendment to this paragraph of these Bylaws.

5.5 Nomination, Election and Tenure of Office.

5.5.1 Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and one or more Members. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Such nominations may be made from among Members or nonmembers. Anything herein to the contrary notwithstanding, the first election to the Board of Directors, shall receive nominations only from the floor at the first annual meeting of Members. Each nominee shall be given a reasonable opportunity to communicate to the Members the nominee's qualifications and the reasons for the nominee's candidacy. Each nominee shall be given a reasonable opportunity to solicit votes and the Members shall be given a reasonable opportunity to choose among the nominees.

5.5.2 The director(s) shall be elected by secret written ballot at the annual meeting of Members. At the first meeting for the election of directors, the Members shall elect three directors for a term of one year and two directors for a term of two years; and, at each annual meeting thereafter, the Members shall elect director(s) for a term of two years to succeed those director(s) whose terms have expired. Each director shall serve until his successor is elected and has qualified or until his earlier resignation or removal. The term of office for director(s) shall begin immediately after their election. If any annual meeting is not held or the director(s) are not elected thereat, the director(s) may be elected at any special meeting of Members held for that purpose.

5.5.3 In advance of any meeting of Members, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of Members may, and on the request of any Member or a Member's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting at the request of one or more Members or proxies, the majority of Members represented in person or by proxy shall determine whether one or three inspectors are to be appointed. If there are three inspectors of election, the decision, act or certificate of a majority of inspectors of election is effective in all respects as the decision, act or certificate of all. The inspectors of election shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all Members. In the case of any action by written ballot, the Board of Directors may similarly appoint inspectors of election to act with powers and duties as set forth in this paragraph.

5.6 Vacancies.

5.6.1 A vacancy or vacancies shall be deemed to exist in any of the following instances: (i) the death, resignation or removal of any director, (ii) the authorized number of directors shall be increased by amendment to these Bylaws and the Members shall fail to elect the additional director(s), (iii) Members shall fail at any time to elect the full number of authorized directors, or (iv) any director shall fail to qualify to serve in the office within 30 days after notice of its election. The

Board of Directors may declare vacant the office of a director who has been declared of unsound mind by a final order of court or convicted of a felony.

5.6.2 Vacancies in the Board of Directors may be filled by a majority of the remaining directors, whether or not less than a quorum, or, if the number of directors then in office is less than a quorum, by (i) the unanimous written consent of the directors then in office, (ii) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with Paragraph 5.10.3 with respect to a regular meeting or Paragraph 5.11.3 with respect to a special meeting, or (iii) a sole remaining director; provided, however, that vacancies in the Board of Directors resulting from the removal of directors may only be filled by a vote of the Members as provided in the Article hereof entitled "Voting Rights." Each director so elected shall hold office until its successor is elected at an annual, regular or special meeting of Members or until its earlier resignation or removal.

5.6.3 Members may at any time elect a director to fill any vacancy not filled by the Board of Directors and may elect additional directors at such time as an amendment to these Bylaws is adopted which authorizes an increase in the number of directors.

5.6.4 Any director may resign effective upon giving written notice to the chairman of the Board of Directors, the President, the Secretary or the Board of Directors, unless the notice specifies a later time for the effectiveness of such resignation. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board of Directors, or if the Board of Directors should fail to act, the Members, shall have power to elect a successor to take office when the resignation shall become effective.

5.6.5 No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of its term of office.

5.7 Removal of Directors.

5.7.1 The entire Board of Directors or any individual director may be removed from office by an affirmative vote (or written ballot) of Members holding a majority of the voting power in each voting class entitled to vote at an election of directors; provided, however, unless the entire Board of Directors is removed, an individual director shall not be removed prior to the expiration of its term of office when the votes cast against removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being

elected. If any director(s) is so removed, a new director(s) may be elected at the same meeting.

5.7.2 Notwithstanding the foregoing, a director who, pursuant to Paragraph 4.3.4 hereof, has been elected solely by the votes of Members other than Developer may be removed from office prior to expiration of its term of office only by the vote of at least a majority of the voting power residing in Members other than Developer.

5.8 Place of Meetings.

5.8.1 Meetings of the Board of Directors shall be held within the Project or at such other place within five miles of the Project as may be designated for that purpose from time to time by the Board of Directors.

5.9 Organizational Meetings; Notice.

5.9.1 Annual organizational meetings of the Board of Directors shall be held immediately following the adjournment of the annual meetings of Members or at such other date, time and place as the Board of Directors may designate by resolution. No notice of organizational meetings need be given to directors except that written notice setting forth the date, time and place of said meeting shall be posted at a prominent place (or places) within the Project at least four days prior to the scheduled date of said meeting.

5.10 Other Regular Meetings; Notice.

5.10.1 Regular meetings of the Board of Directors, other than the annual organizational meeting, shall be held at such date, time and place within the Project (or as provided above in Paragraph 5.8) as may be agreed upon from time to time by the Board of Directors except that said meetings shall be held at least every six months if business to be transacted by the Board of Directors does not justify more frequent meetings; or may be called at any time by the chairman of the Board of Directors or the president, any vice president, secretary or by any two directors of the Association. If said date shall fall upon a holiday such meeting shall be held on the next succeeding business day thereafter.

5.10.2 Notice of the date, time and place of a regular meeting shall be given to each of the members of the Board of Directors at least four days before such meeting by (i) telephone, (ii) telegraph, (iii) written notice personally delivered or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Association or, if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board

of Directors are regularly held. Written notice of the resolution, if any, establishing a date of the month, the time and place of a regular meeting shall also be given to each director. Notices of the date, time and place of a regular meeting shall also be posted at a prominent place (or places) within the Project at least four days before the date of the meeting.

5.10.3 Notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the Association records or made a part of the minutes of the meetings.

5.11 Special Meetings; Notice.

5.11.1 Special meetings of the Board of Directors for any purpose or purposes shall be called by written notice signed by the President or by any two directors other than the President.

5.11.2 Notice of the date, time and place of a special meeting shall be given to each of the members of the Board of Directors by (i) telephone, (ii) telegraph, (iii) written notice personally delivered or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Association or if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Such notice of a special meeting shall set forth the general nature of the business to be considered thereat. In case such notice is mailed, it shall be deposited in the United States mail at least four days prior to the date of the holding of the meeting. In case such notice is delivered personally or by telephone or telegraph, it shall be so delivered at least 72 hours prior to the date of the holding of the meeting. Such mailing, telephoning, telegraphing or personal delivery shall be due, legal and proper notice to such director.

5.11.3 Notice of a special meeting need not be given to any director who signed a waiver of notice or a written consent to holding of the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attend the meeting without protesting prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents or approvals shall be filed with the Association records or made a part of the minutes of the meetings.

5.11.4 Written notice of every special meeting of the Board of Directors, specifying the date, time and place of the meeting and the general nature of the business to be considered, shall be

posted at a prominent place (or places) within the Project at least 72 hours prior to the scheduled time of such meeting.

5.12 Adjournment.

5.12.1 A majority of the directors present at a meeting of the Board of Directors, whether or not a quorum is present at such meeting, may adjourn the meeting to another date, time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another date, time or place shall be given prior to the time of such adjourned meeting to the directors who are not present at the time of the adjournment.

5.13 Quorum; Required Vote.

5.13.1 A majority of the authorized number of directors as designated by these Bylaws shall be necessary to constitute a quorum for the transaction of business. The action of a majority of the directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act; provided that a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting. A majority of the directors present at any meeting at which a quorum is not present may adjourn from time to time, but may not transact any business.

5.14 Open Meetings; Executive Sessions.

5.14.1 All organizational, regular and special meetings of the Board of Directors shall be open to all Members; however, Members who are not on the Board of Directors may not participate in deliberations or discussions at any such meeting unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

5.14.2 Notwithstanding anything to the contrary contained in this Article, the Board of Directors may, with the approval of a majority of a quorum thereof, adjourn any meeting and reconvene in executive session to discuss, consider or vote upon (i) items related to or involving personnel, (ii) litigation in which the Association is or may become involved and/or (iii) matters of a similar nature, provided that the nature of any and all such business to be considered in executive session shall first be announced in the open meeting.

5.15 Action by Unanimous Written Consent.

5.15.1 Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively

consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of the directors.

5.15.2 If the Board of Directors takes action by unanimous written consent as provided in Paragraph 5.15.1 above, an explanation of such action shall be posted at a prominent place or places within the Project within three days after all of the written consents of the directors have been received by the Secretary of the Association.

ARTICLE 6 - Officers

6.1 Officers.

6.1.1 The officers of the Association shall be a president, vice president, secretary and chief financial officer. The Association may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant chief financial officers, and such other officers as may be appointed in accordance with the provisions of Paragraph 6.3. Any two or more offices, except those of president and secretary, may be held by the same person.

6.2 Appointment.

6.2.1 Each officer of the Association, except such officers as may be appointed in accordance with the provisions of Paragraphs 6.3 or 6.5 shall be chosen annually by the Board of Directors, and shall hold office until a successor shall be appointed or until the earlier resignation, removal or disqualification of such officer.

6.3 Subordinate Officers.

6.3.1 The Board of Directors may at any time appoint, or may designate an officer to 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 these Bylaws or as the Board of Directors may from time to time determine.

6.4 Removal and Resignation.

6.4.1 Any officer may be removed, either with or without cause, by the Board of Directors; and additionally, any subordinate officers not appointed by the Board of Directors may be removed by any officer upon whom such power of removal has been conferred by the Board of Directors.

6.4.2 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 as of 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.

6.5 Vacancies.

6.5.1 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.

6.6 Chairman of the Board of Directors.

6.6.1 The chairman of the Board of Directors, if there be such an officer, shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to the chairman by the Board of Directors or prescribed by these Bylaws.

6.7 President.

6.7.1 Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the Board of Directors, if there be such an officer, the president shall be the general manager and the chief executive officer of the Association and, subject to the control of the Board of Directors, shall have the general power to supervise, direct and control the business and officers of the Association. The president shall preside at all meetings of the Members and in the absence of the chairman of the Board of Directors, or if there be none, at all meetings of the Board of Directors. The president shall be an ex officio member of all standing committees and shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

6.8 Vice President(s).

6.8.1 In the absence or disability of the president, the vice president or, if there is more than one vice president, the vice presidents 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 president(s) so performing the duties of the president shall have

such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

6.9 Secretary and Assistant Secretary.

6.9.1 The secretary shall keep, or cause to be kept, at the principal office of the Association or such other place as the Board of Directors may order, a book of minutes of all meetings of the Board of Directors and Members showing (i) the date, time and place of holding; (ii) whether regular or special, and if special, how authorized; (iii) the notice thereof given; (iv) the names of those present at the Board of Directors meetings; (v) the number of Members present or represented at the Members' meetings; and (vi) the proceedings thereof.

6.9.2 The secretary shall keep, or cause to be kept, at the principal office of the Association or at such other place as the Board of Directors may designate, a membership book showing the names, addresses and telephone numbers of the Members and the date on which membership ceased.

6.9.3 The secretary shall (i) give, or cause to be given, notice of all the meetings of the Members and of the Board of Directors required by these Bylaws or by statute to be given, (ii) keep any seal of the Association in safe custody and (iii) have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

6.9.4 The assistant secretary, if there shall be such an officer or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their appointment), shall, in the absence of the secretary or in the event of the inability or refusal of the secretary to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

6.10 Chief Financial Officer and Assistant Chief Financial Officer.

6.10.1 The chief financial officer 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, losses and surplus. The books of account shall at all reasonable times be open to inspection by any director.

6.10.2 The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the Association with such depositories as may be designated by the

Board of Directors. The chief financial officer shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the president and Board of Directors, whenever they request it, an account of all transactions by the chief financial officer 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 these Bylaws.

6.10.3 If required by the Board of Directors, the chief financial officer shall give the Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for (i) the faithful performance of the duties of the chief financial officer's office and (ii) the restoration to the Association of all books, papers, vouchers, money and other property, of whatever kind belonging to the Association and in the possession or under control of the chief financial officer upon the death, resignation or removal from office of the chief financial officer.

6.10.4 The assistant chief financial officer, if there shall be such an officer or if there shall be more than one, the assistant chief financial officers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their appointment), shall, in the absence of the chief financial officer or in the event of the inability or refusal of the chief financial officer to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE 7 - Committees

7.1 Architectural Committee.

7.1.1 There shall be an Architectural Committee for the purposes of performing such duties as may have been delegated to it pursuant to the Declaration and of advising the Board of Directors on matters of structural and landscaping architecture and design within the Project. The Architectural Committee shall, at all times, consist of five individuals.

7.1.2 Prior to the conveyance of the first Unit to a purchaser (other than Developer or a Builder), Developer shall appoint five individuals who shall constitute the first Architectural Committee and shall serve for one year from the date of the original issuance by the California Department of Real Estate of the final subdivision public report for the Project and until their successors are appointed or until their earlier resignation or removal. Developer has, pursuant to the Article of the Declaration entitled "Architectural and Landscaping Control," reserved the power to appoint a majority of the members of the

Architectural Committee (who need not be Members or members of the Board of Directors) until (i) 90 percent of all of the Units in the Project (assuming all of the Annexation Property is annexed to the Project) have been sold and conveyed, or (ii) the fifth anniversary of the original issuance by the DRE of the first final subdivision public report for the Project, whichever first occurs.

7.1.3 Commencing one year from the date of the original issuance by the DRE of the first final subdivision public report for the Project, and so continuing each year thereafter until the end of the year in which Developer's above described power of appointment terminates, the Board of Directors shall appoint two of the Members to serve on the Architectural Committee for a term of one year and until each Member's successor is appointed or until each Member's earlier resignation or removal.

7.1.4 Any vacancy on the Architectural Committee by reason of death, resignation or removal by the Board of Directors of any of its appointees shall be promptly filled by the Board of Directors with a Member within 30 days after such vacancy first occurs. Notwithstanding anything contained in this Article to the contrary, any vacancy on the Architectural Committee by reason of death, resignation or removal by Developer of any of its appointees shall be promptly filled by Developer with a person (who need not be a Member or member of the Board of Directors) within 30 days after such vacancy first occurs.

7.1.5 At the end of the term of the last member of the Architectural Committee appointed by Developer pursuant to this Article, all members of the Architectural Committee shall be appointed by the Board of Directors.

7.2 Executive and Other Board Committees.

7.2.1 The Board of Directors may by resolution adopted by a majority of the number of directors then in office, provided that a quorum is present, create an Executive Committee, and such other committees as may be necessary from time to time, each consisting of two or more directors and with such powers as it may designate, consistent with the Articles, these Bylaws and the laws of the State of California. Appointments to such committees shall be by a majority vote of the directors in office at the time of appointment. The Board of Directors may appoint one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Such committees shall hold office at the pleasure of the Board of Directors and need not be reappointed annually.

7.3 Nominating and Other Committees.

7.3.1 The Board of Directors shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint such other committees, composed of directors or nondirectors or both, as it deems appropriate in carrying out the purposes and business of the Association.

ARTICLE 8 - Association Records and Reports; Inspection

8.1 Records.

8.1.1 The Association shall maintain adequate and correct accounts, books and records of its business and properties. All such books, records and accounts shall be kept at its principal place of business in the State of California or at such other place as may be designated by the Board of Directors from time to time.

8.2 Inspection of Books and Records.

8.2.1 The Member register, the books of account, minutes of proceedings of the Association, of the Board of Directors, of the Executive Committee and of any other committees of the Association shall (upon the written demand of any Member) be open to inspection and copying by such Member or its duly appointed representative at any reasonable time, for a purpose reasonably related to such Member's interests as a Member, at the office of the Association or at such other place within the Project as the Board of Directors shall prescribe. All of the foregoing documents, books and records shall be exhibited at any time when required by the demand at any Members' meeting of at least 10 percent of the Members represented at such meeting.

8.2.2 Each director of the Association shall have an absolute right, at any reasonable time, to inspect and copy the aforementioned documents, books and records and to inspect the physical properties owned or controlled by the Association.

8.2.3 An inspection demand other than at a Members' meeting shall be made in writing upon the president, secretary or assistant secretary of the Association. The Board of Directors shall establish reasonable rules with respect to (i) hours and days of the week when such an inspection may be made and (ii) payment of the cost of reproducing copies of such documents, books and records requested by a Member or director.

8.3 Certification and Inspection of Bylaws.

8.3.1 The original or a copy of these Bylaws as amended or otherwise altered to date, certified by the secretary, shall be

open to inspection by Members at the Association's principal office at all reasonable times during office hours.

8.4 Checks, Drafts, Contracts, Etc.

8.4.1 The president shall sign all leases, mortgages, deeds and other written instruments and shall cosign all checks and promissory notes of the Association. The chief financial officer shall sign all checks and promissory notes of the Association. The foregoing shall not include the withdrawal of moneys from the Association's reserve accounts, which is governed by Paragraph 8.5.

8.5 Withdrawals from Reserve Accounts.

8.5.1 The signatures of at least two persons (who shall be members of the Board of Directors, or either the president or chief financial officer and a member of the Board of Directors) shall be required for the withdrawal of moneys from the Association's reserve accounts.

8.5.2 As used in Paragraph 8.4 and this Paragraph 8.5, "reserve accounts" means moneys that the Board of Directors has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

8.6 Contracts, Etc.; How Executed.

8.6.1 The Board of Directors, except as otherwise provided in these Bylaws, 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. Such authority may be general or confined to specific instances. 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 to pledge its credit, or to render it liable for any purpose or to any amount.

8.7 Annual Budget.

8.7.1 The Board of Directors shall cause a budget for each fiscal year to be regularly prepared and distributed to all Members, not less than 45 days nor more than 60 days prior to the beginning of each fiscal year of the Association, regardless of the number of Members or the amount of assets of the Association. The budget shall contain the following information: (i) the estimated revenue and expenses of the Association on an accrual basis; (ii) the amount of the total cash reserves of the Association currently available for replacement or major repair of any Project Common Area and for contingencies; (iii) an itemized estimate of the remaining life of, and the method of

funding to defer repair, replacement or additions to, major components of any Project Common Area for which the Association is responsible and (iv) a general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the cost of repair, replacement or addition to, major components of any Project Common Area for which the Association is responsible.

8.8 Initial Financial Report.

8.8.1 The Board of Directors shall cause to be prepared an initial financial report, which report shall include (i) a balance sheet as of an accounting date (the "Accounting Date") which is the last day of the month closest in time to six months from the date of closing of the first sale of a Unit in the Project to a purchaser (other than Developer or a Builder) and (ii) an operating statement for the period from the date of the first closing to the Accounting Date, which operating statement shall include a schedule of assessments received and receivable itemized by the Unit number and by the name of the Owner so assessed. The initial financial report shall be distributed to each Member within 60 days from the Accounting Date.

8.9 Annual Report.

8.9.1 The Board of Directors shall cause to be prepared and distributed to all Members, within 120 days after the close of each fiscal year, an annual report, which shall include: (i) a balance sheet as of the end of the fiscal year; (ii) an operating (income) statement for the fiscal year; (iii) a statement of changes in financial position for the fiscal year; (iv) any information required to be reported under Section 8322 of the California Corporations Code; (v) a statement of the place where the names and addresses of the current Members are located; and (vi) for any fiscal year in which the gross income to the Association (including all regular and special assessments levied upon all Owners during the fiscal year) exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared from the books and records of the Association without independent audit or review. For any fiscal year in which the annual report is not prepared by an independent accountant, the statements prepared in connection with the annual report shall be prepared in conformity with generally accepted accounting principles, or some other basis of accounting which reasonably sets forth the assets and liabilities and the income and expenses of the Association and discloses the accounting basis used in the preparation. Upon written request

of a Member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting Member.

8.10 Statement of Policies and Practices.

8.10.1 The Board of Directors shall cause to be distributed to all Members and Owners, within 60 days prior to the beginning of each fiscal year, a statement of the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of regular and special assessments, including the recording and foreclosing of liens against Units.

ARTICLE 9 - Amendments to Bylaws

9.1 By Members.

9.1.1 New bylaws may be adopted or these Bylaws may be repealed or amended (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two voting classes of the Association or (ii) upon cessation of one of the two voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Developer and Builders. So long as there is a Class B membership in the Association, any amendment to these Bylaws shall require the prior approval of the VA and FHA. A draft of the proposed amendment must be submitted to and approved by the VA prior to the approval by the Members.

9.2 No Amendment by Board of Directors.

9.2.1 Anything contained herein to the contrary notwithstanding, the Board of Directors shall not have any right or power to adopt, amend or repeal any of these Bylaws.

9.3 Record of Amendments.

9.3.1 Whenever an amendment or new bylaw is adopted, a notation of such amendment or new bylaw and a copy of the same shall be filed in the appropriate place in the book of Bylaws with the original Bylaws. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or the date specified in the written ballots by which the same were to be received by the Association shall be stated in said book.

ARTICLE 10 - Supremacy of Declaration

No provision of the Articles or of these Bylaws, and no action of the Association, in violation or contravention of any

provision of the Declaration shall be valid, subsisting or of any effect whatsoever.

THE UNDERSIGNED, being the sole Member of the Association, as of the date hereinbelow set forth, hereby assents to the foregoing Bylaws and adopts the same as these Bylaws of the Association.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed its name this _____ day of _____, 1988.

BATIQUITOS BLUFF, a California
limited partnership

By 
Donald F. Sammis
General Partner