

BYLAWS

FOR

OMEGA II HOMEOWNERS ASSOCIATION

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ARTICLE I

OFFICE

The office of this corporation shall be located in the County of San Diego, State of California.

ARTICLE II

DEFINITIONS

2.1 **"ARTICLES"** shall mean and refer to the Articles of Incorporation as they may from time to time be amended.

2.2 **"BOARD"** shall mean and refer to the Board of Directors of the Corporation.

2.3 **"BYLAWS"** shall mean and refer to the Bylaws of the Corporation as they may from time to time be amended.

2.4 **"COMMON AREA"** shall mean and refer to the entire Common Interest Development, except the separate interests in space called a Unit (herein defined). The Common Areas shall be owned as tenants-in-common in equal share, one (1) for each Unit.

2.5 **"COMMON EXPENSE"** means and includes the actual and estimated expenses of operating the Project and any reasonable reserve for such purposes as found and determined by the Board and all sums designated common expenses by or pursuant to the Condominium Documents.

2.6 **"CONDOMINIUM"** shall mean and refer to an estate in the Condominium Property, or portions thereof, as defined in California Civil Code Section 1351(f), and shall consist of an undivided interest as a tenant-in-common in the real property coupled with a separate interest in space called a Unit, together with an Exclusive Use Common Area conveyed appurtenant thereto.

2.7 **"CONDOMINIUM BUILDING"** Condominium Building shall mean a residential structure containing Condominium Units.

2.8 **"CONDOMINIUM DOCUMENTS"** Condominium Documents means and includes the Declaration, as it may be amended from time to time, the exhibits, if any, attached thereto, the Articles, the Bylaws, and the rules and regulations for the Members, as established from time to time by the Board and the Condominium Plan.

2.9 **"CONDOMINIUM PLAN"** shall mean and refer to the Condominium Plan or Condominium Plans recorded pursuant to California Civil Code Section 1351 covering all or any part of the Condominium Property, including such amendments thereto as may from time to time be recorded.

2.10 **"CONDOMINIUM PROPERTY"** shall mean and refer to that certain real property located in San Diego County, California, more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof.

2.11 **"CORPORATION"** and/or **"ASSOCIATION"** shall mean and refer to OMEGA II HOMEOWNERS ASSOCIATION, a California non-profit mutual benefit corporation, incorporated under the Non-Profit Mutual Benefit Laws of the State of California, its successors and assigns.

2.12 **"DECLARANT"** shall mean and refer to THE MICHAEL ANDREW GROUP, INC., a California corporation, its successors and assigns, if such successors or assigns acquire all of the Condominium Property from Declarant.

2.13 **"DECLARATION"** shall mean and refer to the Declaration or Declarations of Restrictions recorded with the Office of the County Recorder of San Diego County, California, covering the Condominium Property, including such amendments thereto as may from time to time be recorded.

2.14 **"ELIGIBLE INSURER"** shall mean and refer to an insurer or governmental guarantor who has provided a written request to the Homeowners Association, to be notified of those matters which such holder is entitled to notice of by reason of this Declaration or the Bylaws of the Corporation. Such notice must contain the unit number or the unit address of the secured Condominium.

2.15 **"ELIGIBLE MORTGAGE HOLDER"** shall mean and refer to the holder of a first mortgage or deed of trust on a Condominium, who has provided a written request to the Homeowners Association, to be notified of those matters which such holder is entitled to notice of by reason of this Declaration or the Bylaws of the Corporation. Such notice must contain the unit number or the unit address of the secured Condominium.

2.16 **"EXCLUSIVE USE COMMON AREA"** shall mean and refer to those portions of the Common Area, if any, which an Owner has the exclusive right to use as set forth in the Declaration and as shown on the Condominium Plan.

2.17 **"FHA"** shall mean and refer to the Federal Housing Administration.

2.18 **"FHLMC"** shall mean and refer to the Federal Home Loan Mortgage Corporation.

2.19 **"FNMA"** shall mean and refer to the Federal National Mortgage Association.

2.20 "FIRST MORTGAGE" shall mean and refer to a First Deed of Trust as well as a First Mortgage.

2.21 "MEMBER" shall mean and refer to a person entitled to membership in the Corporation as provided herein.

2.22 "MORTGAGE" shall mean and refer to a deed of trust as well as a mortgage encumbering a Condominium.

2.23 "MORTGAGEE" shall mean and refer to a beneficiary or a holder of a deed of trust as well as a mortgagee.

2.24 "MORTGAGOR" shall mean and refer to the trustor of a Deed of Trust as well as a mortgagor.

2.25 "OWNER" shall mean and refer to the record Owner, whether one (1) or more persons or entities, of any Condominium, including contract buyers but excluding those having such interest merely as security for the performance of an obligation.

2.26 "PROJECT" shall mean and refer to the Condominium Property, including all Condominiums and all structures and improvements erected or to be erected thereon.

2.27 "UNIT," "CONDOMINIUM UNIT," "LIVING UNIT" and/or "LIVING AREA" shall mean and refer to those separate interests in space in the Condominium Project shown and described as such on the Condominium Plan and as defined in the Declaration.

2.27 "VA" shall mean and refer to the Veterans Administration.

ARTICLE III

MEMBERS

This Corporation shall have two (2) classes of voting membership as set forth in the Declaration.

ARTICLE IV

MEMBERSHIP ASSESSMENTS AND LIEN RIGHTS

4.1 **REGULAR ASSESSMENTS.** The Board shall fix and determine from time to time regular assessments to be paid by each Owner for the purpose of operation, maintaining and repairing the Common Area, paying the necessary expenditures of the corporation as provided in these Bylaws and the Declaration, and establishing an operating reserve fund and reserve for replacement all as set forth in the Declaration.

4.2 **SPECIAL ASSESSMENTS.** In addition to the regular assessment authorized above, the Board may levy special assessments for the purpose of

defraying, in whole or in part, the cost of any capital improvement to the Common Area, or for such other purpose as set forth in the Declaration.

4.3 LIMITATIONS ON ASSESSMENTS.

(a) From and after January 1st of the year immediately following the conveyance of the first Condominium to an Owner, the Board of Directors of the Corporation may not impose, except as provided herein, a regular assessment that is more than ten percent (10%) greater than the regular assessment for the Corporation's preceding fiscal year or impose special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the approval of owners casting a majority of the votes at a meeting or election of the Corporation conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Divisions 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. These provisions, however, shall not limit assessment increases for the following purposes: (i) The maintenance or repair of the Common Areas, or other areas which the Corporation is obligated to maintain or repair, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining or repairing structures or improvements, and funding reserves; or (ii) Addressing emergency situations.

(b) Any increase above fifteen percent (15%) for the categories noted in (i) and (ii) above shall require approval by vote or written consent of (i) a majority of the Members of each Class A and Class B during the time the two-class voting structure is in effect; or (ii) a majority of the members of the Corporation including at least fifty-one percent (51%) of Corporation members other than Declarant after conversion to a single Class A voting membership.

4.4 LIEN RIGHTS. As provided in the Declaration, the Corporation shall have a lien against the interest of each Owner in the Condominium Property to secure the full and prompt payment of all assessments levied by the Corporation in compliance with these Bylaws, and in the event of default of any Owner, said interest of such Owner may be foreclosed by the Corporation in the same manner as a realty mortgage or may be enforced by sale pursuant to Section 2924 et seq. of the California Civil Code, and to that end a power of sale is hereby conferred upon upon the trustee designated in the notice of delinquent assessment, or a trustee substituted pursuant to California Civil Code Section 2934a; provided, however, that the lien created shall be subject to the subordination provisions stated in the Declaration.

Any regular or special assessment which is not paid within fifteen (15) days after due shall be delinquent. If an assessment is delinquent the Corporation may recover all of the following:

(a) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees;

(b) A late charge not exceeding ten percent (10%) of the delinquent assessment or ten dollars (\$10), whichever is greater;

(c) Interest on all sums imposed in accordance with this Section 4.4, including the delinquent assessment, reasonable costs of collection and late charges, commencing thirty (30) days after the assessment becomes due, at an annual percentage rate not to exceed twelve percent (12%), or at the maximum legal rate as defined in California Civil Code Section 1366, as it may be amended from time to time.

The Corporation may bring an action at law against the member personally obligated to pay the same and, in addition thereto or in lieu thereof, may foreclose the lien above provided, and interest, costs, late charges, penalties and reasonable attorney's fees incurred in any such action shall be added to the amount of such assessments. No member may waive or otherwise escape liability for the assessments provided for hereby by non-use or abandonment of his Condominium or any part thereof.

4.5 PAYMENT OF ASSESSMENTS BY DECLARANT. The Declarant shall pay all assessments levied by the Corporation against any Condominium owned by it at the same time, in the same manner and in the same amounts as if such Condominium were owned by any other Owner.

4.6 COMMENCEMENT OF REGULAR ASSESSMENTS. The regular assessment shall commence as set forth in the Declaration.

4.7 MONETARY PENALTIES. The Board may levy monetary penalties against individual Owners to reimburse the Corporation for cost and expenses incurred in enforcing compliance by such Owner of his Condominium with the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Corporation, and the rules and regulations adopted by the Board or as a means of reimbursing the Corporation for costs incurred by the Corporation in the repair of damage to common areas and facilities for which the Owner was allegedly responsible. Provided, however, that any such penalty may not be characterized nor treated as an assessment which may become a lien against the Owner's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Section 2924, 2924(b) and 2924(c) of the Civil Code. No such monetary penalty shall be effective unless the Owner receives fifteen (15) days' prior written notice of the proposed penalty and the reasons therefor and is given an opportunity to be heard either orally or in writing before the Board not less than five (5) days before the proposed effective date of the monetary penalty. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last address of the Member shown on the Corporation's records.

4.8 LATE PENALTIES. The provisions of the preceding Section 7 do not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Corporation for the loss of interest and for costs reasonably incurred

(including attorneys' fees) in its efforts to collect delinquent assessments as described in Section 3 of this Article hereinabove.

ARTICLE V

MEMBERSHIP RIGHTS AND PRIVILEGES

5.1 MEMBERSHIP RIGHT TO ENFORCE ASSOCIATION RULES. No member shall have the right without the prior approval of the Board to exercise any of the powers or to perform any of the acts by these Bylaws delegated to the Board as in Article VII of these Bylaws more fully provided. Unless otherwise provided in the Declaration and subject to the rules and regulations adopted by the Board, each member of the Corporation, his immediate family, guests and tenants shall have the right to use and enjoy the Common Area, excepting those portions to which an exclusive use right has been granted to others.

5.2 PENALTY FOR INFRACTIONS OF ASSOCIATION RULES. The membership rights and privileges, together with the voting rights of any member of the Corporation, may be suspended by the Board for any period of time during which the assessment on his Condominium remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Corporation's published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board. Should the Board believe grounds may exist for any such suspension, the Board shall give to the member believed to be in violation at least fifteen (15) days' prior written notice of the intended suspension and the reasons therefor. The Member shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last address of the Member shown on the Corporation's records. No such suspension shall affect the rights of such member to access to his Living Unit nor his right to use of any Exclusive Use Area appurtenant to his Living Unit, except by judgment of a court or a decision arising out of arbitration or on account of foreclosure or sale under a power of sale for failure of the member to pay assessments duly levied by the Corporation.

ARTICLE VI

MEETINGS OF MEMBERS

6.1 PLACE OF MEETING. All meetings of members shall be held at the Condominium Property or at such other location in San Diego County, California, in reasonable proximity to the Condominium Property, as may be designated in the notice of meeting.

6.2 ANNUAL MEETINGS OF MEMBERS. The first annual meeting of members shall be held within six (6) months after the close of escrow for the sale of the first Condominium by Declarant, or within forty-five (45) days

after close of escrow for the sale by Declarant of fifty-one percent (51%) of the Condominiums, whichever shall first occur. Subsequent annual meetings of members shall be held on the annual anniversary of the first annual meeting of members. Should any annual meeting day fall upon a legal holiday, then such annual meeting of members shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday. An election of directors shall be held at the first annual meeting of members and all positions of director shall be filled at that election.

6.3 NOTICE OF ANNUAL MEETING. Written notice of each such annual meeting shall be given to each member and, upon written request therefor, to all first Mortgagees either personally or by sending a copy of the notice through the mail or by telegraph, charges prepaid, to his address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice. If no address is supplied, notice shall be deemed to have been given him if mailed to the address of the Condominium owned by such member or encumbered by the first Mortgagee, or published at least once in some newspaper of general circulation in the county of said principal office. All such notices shall be sent not less than ten (10) days (except in emergency situation in which case as much advance notice shall be given as is reasonably possible) and not more than ninety (90) days before each annual meeting, and shall specify the place, day and hour of such meeting.

6.4 SPECIAL MEETINGS. Special meetings of members, for any purpose or purposes whatsoever, may be called at any time by the president or by a majority of a quorum of the Board, and shall be called by the Board upon receipt of a written request signed by five percent (5%) or more of the voting power of the members. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of members. Notices of any special meeting shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

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

When any membership meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or to the business to be transacted at an adjourned meeting other than by an announcement at the meeting at which such adjournment is taken.

If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of

the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

6.6 MORTGAGEE REPRESENTATION. First Mortgagees shall have the right to attend all membership meetings through a representative designated in writing and delivered to the Board.

6.7 VOTING. Voting of the members may be by viva voce or by ballot. All elections for directors shall be by secret written ballot. Cumulative voting is required for all elections in which more than two (2) directors are to be elected. No Member shall be entitled to cumulate votes for a candidate or candidates unless such 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 at any election for directors, subject to the foregoing, shall have the right to cumulate votes and give one (1) 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 shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Unless the entire Board is removed from office by the vote of the members, 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 or not consenting in writing to his removal would be sufficient to elect the 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 most recent election of directors were then being elected. Any director elected to office solely by the votes of members other than Declarant as provided below may be removed from office prior to the expiration of his term only upon the vote of a simple majority of the voting power of members other than Declarant. Anything contained herein to the contrary notwithstanding, at the first election of directors by members and thereafter for so long as a majority of the voting power of members is held by Declarant, or so long as there are two (2) outstanding classes of membership, not fewer than twenty percent (20%) of the directors may be elected solely by the voting power of members other than Declarant. The election of directors may be held at any meeting of members and each member shall have the right to nominate from the floor candidates for the office of director.

6.8 QUORUM. Except as otherwise provided in the Articles of Incorporation or the Declaration, the presence in person or by proxy at any meeting of the Owners of a majority of the voting power of the Corporation shall constitute a quorum for the transaction of business at such meeting. In the absence of a quorum at a meeting, a majority of the Owners present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date, and the quorum for such resumed meeting shall be the presence in person or by proxy of twenty-five percent (25%) of the total

voting power of the Corporation. If the time and place for the resumed meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the resumed meeting after adjournment, notice of the time and place of the resumed meeting shall be given to members in the manner prescribed for regular meetings.

6.9 CONSENT OF ABSENTEES. The transaction of any meeting of members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

6.10 ACTION WITHOUT MEETING. Any action that may be taken by the vote of members at a regular or special meeting, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with Section 7513 of the California Corporations Code.

6.11 PROXIES. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Condominium, or upon receipt of notice by the Secretary or the Board of the death or judicially declared incompetence of a member, or upon the expiration of eleven (11) months from the date of the proxy. Every form of proxy or written ballot which provides an opportunity to specify approval or disapproval with respect to any proposal shall also contain a space marked "abstain."

ARTICLE VII

DIRECTORS

7.1 POWERS AND DUTIES. Subject to other provisions of the Declaration and to the limitations of the Articles of Incorporation, the Bylaws and the California Nonprofit Mutual Benefit Corporations Code as to action to be authorized or approved by the members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board. 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 and duties:

(a) To select and remove all the officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, the Articles of Incorporation, the Bylaws or the Declaration, and, subject to the provisions of Section 15 of Article VII of the Bylaws, to fix their compensation.

(b) To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, the Articles of Incorporation, the Bylaws or the Declaration as they deem best, including rules and regulations for the operation of the Common Area and Facilities owned or controlled by the Corporation.

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

(d) To borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor; provided, however, that the Board shall not have the power to borrow money for the Corporation during any fiscal year in excess of the aggregate sum of, nor to sell during any fiscal year property of the Corporation having an aggregate fair market value greater than, five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the vote or written assent of a majority of the voting power of each class of members of the Corporation. After conversion of the Class B membership to Class A membership, the Board shall not have the power to borrow money for the Corporation during any fiscal year in excess of the aggregate sum of, nor to sell during any fiscal year property of the Corporation having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the vote or written consent of (i) a majority of the total voting power of the Corporation and (ii) a majority of the total voting power of the members other than the Declarant.

(e) To contract and pay for fire, casualty, liability, fidelity and other insurance adequately insuring the Corporation and Owners with respect to the Common Area and the affairs of the Corporation, which shall include bonding of the members of any management body. Notwithstanding any provisions to the contrary herein, so long as the Federal National Mortgage Association ("FNMA") holds a Mortgage on a Condominium or owns a Condominium, the Corporation shall continuously maintain in effect such casualty and liability insurance and fidelity bond, meeting all requirements and containing such coverage and endorsements as may be required from time to time by FNMA. Such casualty insurance shall include, but not be limited to, a condominium master or blanket policy with full replacement cost coverage and an agreed value endorsement. Whether or not FNMA holds any Mortgage, fidelity insurance shall be in the form of a bond, naming the Corporation as obligee, written in an amount equal to at least the estimated maximum of funds, including reserves in the custody of the Homeowners Association or the management agent at any given time during the term of the fidelity bond, to protect against misuse and misappropriation of Corporation property by members of the Board,

officers and employees of the Corporation and any management agent and his employees whether or not any such persons are compensated for their services. However, the bond should not be less than a sum equal to three (3) months aggregate assessments on all Residential Lot plus reserve funds.

(f) To pay all charges for water, electricity, gas, CATV and other utility services for the Common Area and, to the extent not separately metered or charged, for each Living Area.

(g) To manage, operate, maintain and repair the Common Area and all improvements located thereon, including the restoration and replacement of any or all of the buildings, structures or improvements which are part of the Common Area at any time and from time to time as the Board may determine desirable or necessary; and to make capital expenditures for and on behalf of the Corporation; provided, however, that, except as provided in the Declaration upon damage or destruction, no capital expenditure in the aggregate may be made during any fiscal year of the Corporation in excess of five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the vote or written assent of a majority of the voting power of each class of members of the Corporation. After conversion of the Class B membership to Class A membership, no such capital expenditure may be made during any fiscal year of the Corporation in excess of five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the vote or written assent of (i) a majority of the total voting power of the Corporation and (ii) a majority of the total voting power of the members other than the Declarant.

(h) To enter onto any Living Area and Exclusive Use Area as may be necessary for the purpose of carrying out any of the powers or duties of the Board as herein set forth and as set forth in the Declaration, including such entry as may be necessary in connection with the construction, maintenance or emergency repair of the Common Area, at any reasonable hour and, except in the case of emergency, after reasonable notice.

(i) To enforce the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Corporation, the rules and regulations adopted by the Board and the provisions of any agreement to which the Corporation is a party.

(j) To contract and pay for goods and services relating to the Common Area, and to employ personnel necessary for the operation and maintenance of the same, including legal and accounting services; Anything herein to the contrary notwithstanding:

(1) That the term of any contract with a third person for supplying goods or services to the Common Area or for the Corporation shall not exceed a term of one (1) year unless a longer term is approved by a majority of the voting power of each class of members of the Corporation, or after conversion of the Class B membership to Class A membership, unless such longer term is approved by (i) a majority of the total voting power of the

Corporation and (ii) a majority of the total voting power of the members other than the Declarant, with the following exceptions:

(A) A contract with a public utility company for materials or services the rates for which are regulated by the Public Utilities Commission may exceed a term of one (1) year so long as it does not exceed the shortest term for which the public utility contracts at the regulated rate;

(B) A contract for prepaid casualty and/or liability insurance policies may be for a term of not to exceed three (3) years, provided that the policy permits short rate cancellation by the Corporation;

(C) A management contract, the terms of which have been approved by the Veterans Administration and the Federal Housing Administration may exceed a term of one (1) year.

(D) Lease agreements for for laundry room fixtures and equipment of not to exceed five (5) years' duration, provided that the lessor under the agreement is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

(2) Any agreement for management of the Condominium Property and any other contract providing for services by the Declarant, shall be terminable for cause upon thirty (30) days written notice, and without cause or payment of a termination fee upon ninety (90) days, or fewer, written notice and shall have a term of not more than two (2) years, renewable with the consent of the Corporation and the management agent.

(3) The Board shall not terminate professional management of the Condominium Property and assume self-management without the prior written approval of Mortgagees holding seventy-five percent (75%) or more of the first Mortgages on Condominiums;

(4) Except as provided herein, no contract with the Corporation negotiated by Declarant shall exceed a term of one (1) year.

(k) To pay any taxes and governmental special assessments which are or could become a lien on the common area or any portion thereof.

(l) To initiate and execute disciplinary proceedings against members of the Corporation for violation of the provisions of the Articles of Incorporation and Bylaws of the Corporation, the Declaration and the rules and regulations adopted by the Board.

(m) To prepare budgets and financial statements for the Corporation as provided in the Bylaws.

(n) Upon the written request to the Corporation, identifying the name and address of the holder, insurer or guarantor and the Condominium

number or address, any Eligible Mortgage Holder or Eligible Insurer will be entitled to timely written notice of:

(1) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Condominium on which there is a first Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer, as applicable.

(2) Any delinquency in the payment of assessments or charges owed by an Owner of a Condominium subject to a first Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer, which remains uncured for a period of sixty (60) days.

(3) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Corporation.

(4) Any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders as required in these Bylaws or the Declaration.

(o) To give notice in writing to the Federal Home Loan Mortgage Corporation ("FHLMC") in care of the servicers of FHLMC loans on Condominiums of any loss to or taking of the Common Area if such loss or taking exceeds \$10,000, and of any damage to a Living Area if such damage exceeds \$1,000; provided FHLMC funds are secured by any part of the Condominium Property.

(p) To give timely written notice to all first Mortgagees of any substantial damage to or destruction of any Living Area or any part of the Common Area and, if any Living Area, or any portion thereof, or the Common Area, or any portion thereof, is made the subject of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, to give timely written notice to all first Mortgagees of any such proceeding or proposed acquisition.

(q) To prosecute or defend, in the name of the Corporation, any action affecting or relating to the Common Area or the property owned by the Corporation, and any action in which all or substantially all of the Owners have an interest.

(r) As permitted in the Declaration, to sell the Condominium Property for the benefit of all of the Owners and their Mortgagees, as their interests may appear, at such price and upon such terms as the Board may determine reasonable.

(s) To delegate any of its powers hereunder to others including Committees, officers and employees, including the delegation of the functions of architectural control to an architectural committee appointed by the Board.

(t) To make available to any prospective purchaser of a Condominium, any Owner of a Condominium, any first mortgagee, and the holders, insurers and guarantors of a first mortgage on any Condominium, current copies of the Declaration, the Articles, the Bylaws, the rules governing the Condominium and all other books, records and financial statements of the Corporation. "Available" as used in this paragraph shall at least mean available for inspection upon request during normal business hours or under other reasonable circumstances.

(u) To grant utility easements under, through and over the Common Area which are reasonably necessary to the ongoing development and operation of the Project.

7.2 LIMITATIONS. The Board of Directors of the Corporation shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Corporation residing in members other than the Declarant.

(a) Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year.

(b) Selling during any fiscal year property of the Corporation having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year.

(c) Paying compensation to Members of the Board of Directors or to Officer of the Corporation for services performed in the conduct of the Corporation's business provided, however, that the Board of Directors may cause a Member or Officer to be reimbursed for expenses incurred in carrying on the business of the Corporation.

(d) Filling of a vacancy on the Board of Directors created by the removal of a Board of Directors Member.

7.3 NUMBER AND QUALIFICATIONS OF DIRECTORS. The Board shall consist of three (3) directors until changed by amendment to this section of the Bylaws. Directors need not be members of the Corporation.

7.4 ELECTION AND TERM OF OFFICE. At the first annual meeting of members, three (3) directors shall be elected for a term of one (1) year. Thereafter, directors shall be elected at each annual meeting of members to fill the vacancies of those directors whose term then expires and the term of each such director so elected shall be one (1) year. If any 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 successors are elected. The election of directors shall be by secret written ballot.

Notwithstanding the foregoing, so long as a majority of the voting power of the Corporation resides in the Declarant, or so long as there are two outstanding classes of membership in the Corporation, not less than twenty percent (20%) of the incumbents on the Board shall have been elected solely by the votes of Owners other than the Declarant.

7.5 VACANCIES. Vacancies on the Board may be filled by a majority of the remaining directors, except as hereafter described, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting called for that purpose. A vacancy created by the removal of a director may only be filled by a vote or written assent of a majority of the voting power of the association, other than Declarant, as described in Article VI, Section 7 hereinbefore.

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

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

If any Director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

7.6 PLACE OF MEETING. All meetings of the Board shall be held within the Condominium Property.

7.7 ORGANIZATIONAL MEETING. Immediately following each annual meeting of members, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

7.8 OTHER REGULAR MEETINGS. Other regular meetings of the Board shall be held without call bi-monthly, or at such time as the Board shall determine; provided, however, should said day fall upon a legal holiday, then said meeting shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such regular meetings of the Board shall be posted at a prominent place within the Common Area and communicated to directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

7.9 SPECIAL MEETINGS. Special meetings of the Board for any purpose or purposes may be called at any time by the president, or, if he is absent or unable or refuses to act, by any vice president, or by any two (2) Directors other than the president.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be posted in the manner prescribed for notice of regular meetings and shall be sent to all directors by first class mail not less than four (4) days prior to the scheduled time of the meeting, or such notice shall be delivered personally or by telephone or telegraph not less than forty-eight (48) hours prior to the scheduled time of the meeting; provided, however, notice of the meeting need not be given to any Director who has signed a waiver of notice or a written consent to the holding of the meeting.

7.10 NOTICE OF ADJOURNMENT. Notice of adjournment of any Directors' meeting, either regular or special, need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

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

7.12 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 a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

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

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

7.15 COMPENSATION AND FEES. Neither the directors nor the officers of the Corporation shall receive any monetary compensation for their services performed in the conduct of the business of the Corporation, except upon the vote or written consent of a majority of the voting power of each

class of member of the Corporation. After conversion of the Class B membership to Class A membership, such decision shall require the vote or written assent of (i) fifty-one percent (51%) of the voting power of the Corporation, and (ii) fifty-one percent (51%) total voting power of the members other than Declarant. Nothing herein contained shall be construed or preclude any director or officer from serving the Corporation in any other capacity as an agent, employee or otherwise and receiving compensation therefor. Directors and officers of the Corporation may be reimbursed for expenses incurred in carrying on the business of the Corporation.

7.16 ATTENDANCE AT MEETINGS AND EXECUTIVE SESSIONS. Regular and special meeting of the Board shall be open to all members of the Corporation; provided, however, that members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Corporation is or may become involved and other matters of business of a similar nature. Only members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

7.17 EXECUTIVE COMMITTEE. The Board may take action without a meeting if all of its Members consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three (3) days after the written consents of all Board members have been obtained.

ARTICLE VIII

OFFICERS

8.1 OFFICERS. The officers of the Corporation shall be a president, a vice president, a secretary and a treasurer. The Corporation may also have, at the discretion of the Board, one (1) or more assistant secretaries, one (1) or more assistant treasurers and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Officers other than the president need not be directors. One (1) person may hold two (2) or more offices, except those of president and secretary.

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

8.3 SUBORDINATE OFFICERS. The Board may appoint such other officers as the business of the Corporation may require, each of whom shall

hold office for such period, have authority and perform such duties as are provided in the Bylaws or as the Board may from time to time determine.

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

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

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

8.6 PRESIDENT. The president shall be the chief executive officer of the Corporation and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the members and at all meetings of the Board. He shall be ex-officio a member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board or by the Bylaws. The President shall see that orders and resolutions of the Board are carried out and shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of the Corporation.

8.7 VICE PRESIDENT. In the absence or disability of the president, the vice president shall perform all the duties of the president, and when so acting shall have all powers of and be subject to all the restrictions upon the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or by the Bylaws.

8.8 SECRETARY. The secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board may order of all meetings of directors and members, with the time and place of holding, whether or special and if special how authorized, the notice thereof given, the names of those present at the directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

The secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board required by the Bylaws or by law to be

given, and he shall keep other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

8.9 TREASURER. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transaction of the Corporation, including account of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any Director.

The Treasurer shall sign all checks and promissory notes of the Corporation and shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. He shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the president and directors, whenever they request it, an account of all of his transaction as treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

ARTICLE IX

MISCELLANEOUS

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

9.2 CONTRACTS, ETC. HOW EXECUTED. The Board, except as in the Bylaws otherwise provided, may authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Corporation, and such authority may be general or defined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

9.3 FISCAL YEAR. The fiscal year of the Corporation shall begin on the 1st day of January and end on the 31st day of December of each year, except that the first fiscal year shall begin on the date of incorporation of the Corporation. However, the fiscal year of the Corporation is subject to change from time to time as the Board shall determine.

9.4 FINANCIAL STATEMENTS. The Board shall cause a financial statement of the affairs of the Corporation to be made and distributed to Members pursuant to Section 1365 of the California Civil Code, as it may be amended from time to time.

(a) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Condominium in the Project, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the numbers of the Condominium Units and the name or names of the Owners assessed.

(b) an annual report consisting of the following to be distributed within one hundred twenty (120) days after close of the Corporation fiscal year:

- (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.

(c) Ordinarily the annual report referred to in Section 9.4(b) above shall be prepared by an independent accountant for any fiscal year in which the gross income in the Corporation exceeds \$75,000.00. If said annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Corporation that the statements were prepared without audit or review from the books and records of the Corporation.

(d) In addition to financial statements, the governing body shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against Members' Condominiums.

9.5 BUDGET. The Board shall cause a pro-forma operating statement (budget) for the Corporation to be prepared for the second and each succeeding fiscal year of the Corporation, a copy of which shall be distributed personally or by mail to each of the members of the Corporation not fewer than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year to which the budget relates.

(a) Said pro-forma budget shall contain an estimate of revenue and expenses on an accrual basis.

(b) The amount of the total cash reserves of the Corporation currently available for replacement or major repair of common facilities and for contingencies.

(c) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the common areas and facilities for which the Corporation is responsible.

(d) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Corporation is responsible.

9.6 INSPECTION OF BOOKS AND RECORDS. The Corporation shall keep in its principal office for the transaction of business or at such other place within the Condominium Property as the Board shall prescribe the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the secretary, the Declaration, Articles of Incorporation, Rules and Regulations, a membership register, books of account and copies of minutes of all Membership, Board and committee meetings, all of which shall be made available for inspection and copying by any member of the Corporation, or by any member's duly appointed representative and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to his interest as a member or Mortgagee. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the member or Mortgagee desiring to make the inspection; and

(b) Hours and days of the week when such an inspection may be made; and

(c) Payment of the costs of reproducing copies of documents requested.

Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Corporation and the Common Area. The right of inspection by a director shall include the right at his expense to make extracts and copies of documents.

9.7 REQUEST FOR COPIES OF REPORTS. Upon written request from an Owner, the Corporation shall, within ten (10) days of the mailing or delivery of the request, provide the Owner of a Condominium with:

(a) A copy of the Declaration, Bylaws, Articles of Incorporation and Rules & Regulations, if any;

(b) A copy of the most recent financial reports, as called for in Sections 9.4 and 9.5 herein;

(c) A statement in writing from an authorized representative of the Corporation as to the amount of any assessments levied upon the Owner's interest in his Condominium which are unpaid on the date of the Statement. The statement shall also include true information on late charges, interest and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's interest in the Project pursuant to California Civil Code Section 1367.

The Corporation may charge a fee for this service, which shall not exceed the reasonable costs to prepare and reproduce the requested items.

9.8 AUDITED FINANCIAL STATEMENT. If the Project contains fifty (50) or more Condominiums, any holder, insurer or guarantor of a first Mortgage shall be entitled, upon written request, to an audited financial statement for the immediately preceding fiscal year, free of charge to the party so requesting it. If the Project contains less than fifty (50) Condominiums, the holders of fifty-one (51%) or more of the first Mortgages shall be entitled to have such audited financial statement prepared at their expense if one is not otherwise available. The financial statements required hereby shall be furnished within a reasonable time following request.

ARTICLE X

AMENDMENTS

Except as may otherwise be stated in these Bylaws, during the period of time prior to conversion of the Class B membership in the Corporation to Class A membership, new Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the members entitled to exercise a majority or more of the voting power of each class of members of the Corporation or by the written assent of such members. After conversion of the Class B membership to Class A membership in the Corporation, these Bylaws may be amended or repealed by the vote of members entitled to exercise (i) a majority of the voting power of the Corporation, and (ii) at least a majority of the voting power of the members of the Corporation other than Declarant. Anything herein stated to the contrary notwithstanding, no material amendment to the Bylaws shall be made without the prior written approval of Mortgagees holding seventy-five percent (75%) of the first Mortgages encumbering Condominiums; provided further, that so long as there remains a Class B membership in the Corporation any amendment to these Bylaws shall require the prior approval of the Veterans Administration. A draft of the any amendment should be submitted to the VA for its approval prior to its approval by the membership of the Corporation.

"Material change" shall mean, for purposes of this Article X, any amendments to provisions of these Bylaws governing any of the following subjects:

(a) The fundamental purpose for which the project was created (such as a change from residential use to a different use).

- (b) Assessments, assessment liens and subordination thereof.
- (c) The reserve for maintenance, repair and replacement of the Common Area.
- (d) Property maintenance obligations.
- (e) Casualty, liability insurance and fidelity bonds..
- (f) Reconstruction in the event of damage or destruction.
- (g) Rights to use the Common Area.
- (h) Annexation.
- (i) Voting.
- (j) The percentage interest of the Owners in the Common Area.
- (k) Boundaries of any Living Area.
- (l) The interests in Exclusive Use Areas and other portions of the Common Area.
- (m) Leasing of Condominiums.
- (n) Imposition of any right of first refusal or similar restriction on the right of a Condominium Owner to sell, transfer or otherwise convey his Condominium.
- (o) Any provision which, by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

An Eligible Mortgage Holder who receives a written request to approve amendments (including additions) who does not deliver or mail to the requesting party a negative response within thirty (30) days, shall be deemed to have approved such request.

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of OMEGA II HOMEOWNERS ASSOCIATION, a California non-profit mutual benefit corporation; and

2. That the foregoing Bylaws, comprising twenty-three (23) pages, constitute the Bylaws of said corporation duly adopted at the meeting of the Board of Directors thereof duly held on June 27, 1986.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of June 1986.

A. M. [Signature]
Secretary

EXHIBIT "A"

LEGAL DESCRIPTION:

Lots 37 and 38 in Block 68 of PARK VILLAS, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 438, filed in the Office of the County Recorder of San Diego County October 14, 1887.