

BY-LAWS
for
LA JOLLA COLONY COMMUNITY ASSOCIATION

04/081183

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BY-LAWS

LA JOLLA COLONY
COMMUNITY ASSOCIATION

ARTICLE 1

PLAN OF OWNERSHIP

1.1 Name. The name of the corporation is LA JOLLA COLONY COMMUNITY ASSOCIATION ("Community Association"). The principal office of the Community Association shall be located in the County of San Diego, State of California.

1.2 By-Laws Applicability. The provisions of these Community By-Laws are applicable to the Community. (The term "Community" as used herein shall include the land and all structures and improvements thereon.)

1.3 Personal Application. All present or future owners, their occupants and guests, or any other person that might own or occupy a Unit in the Community in any manner are subject to the regulations set forth in these Community By-Laws and to the recorded Community Declaration of Covenants, Conditions, and Restrictions ("Community Declaration").

The mere acquisition or occupancy of any of the Units in the Community will signify that these Community By-Laws are accepted, ratified, and will be complied with.

ARTICLE 2

DEFINITIONS

Unless otherwise expressly provided, the following words and phrases when used in these Community By-Laws shall have the meanings hereinafter specified.

2.1 "Annexation" shall mean the process by which additional real property may be made subject to the Community Declaration and included in the Community as specified in the Community Declaration.

2.2 "Builder" shall mean and refer to a person or entity which acquires all or a portion of property in the Community for development as a Project.

2.3 "Community" shall mean all of the real property subject to the Community Declaration, and all of the improvements thereon.

2.4 "Community Architectural Control Committee" shall mean the Committee established pursuant to the Community Declaration.

2.5 "Community Articles" shall mean the Articles of Incorporation for the Community Association.

2.6 "Community Assessments" shall mean the assessments levied by the Community Association pursuant to the Community Declaration.

2.7 "Community Association" shall mean LA JOLLA COLONY COMMUNITY ASSOCIATION, a California non-profit mutual benefit corporation or any successor entity charged with the duties, obligations, and powers of said Community Association.

2.8 "Community Board" shall mean the Board of Directors of the Community Association.

2.9 "Community By-Laws" shall mean these Community By-Laws for the Community Association duly adopted by the Community Board.

2.10 "Community Common Area" shall mean all real property in which the Community Association owns an interest for the common use and benefit of the Community Members, Owners, their occupants and guests. The Community Common Area may include interest held by lease or easement as well as estates in fee.

2.11 "Community Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for LA JOLLA COLONY COMMUNITY.

2.12 "Community Director" shall mean the representatives elected or appointed to serve as Directors on the Community Board.

2.13 "Community Member" shall mean the Project Association or the Developer or Builder as to any property subject to the Community Declaration for which a Project Association does not have jurisdiction.

2.14 "Community Rules" shall mean the rules and regulations adopted by the Community Board for the governance of the Community.

2.15 "Community Voting Rights" shall mean the number and allocation of votes to Units or undivided property in the Community.

2.16 "Design Criteria" shall mean LA JOLLA COLONY DESIGN CRITERIA MANUAL, as set forth in the Community Declaration.

2.17 "Developer" shall mean DONALD L. BREN COMPANY, a California corporation, its successors and assigns.

2.18 "Lender" shall mean every person, firm, corporation, government agency, or financial institution who is the Mortgagee of a Mortgage or beneficiary of a Deed of Trust encumbering a Unit in the Community.

2.19 "Mortgage" shall mean a First Mortgage or Deed of Trust which encumbers any one (1) or more Units or other parcels of real property in the Community, and shall include any First Mortgage or Deed of Trust securing an obligation of Developer or Owner and encumbering all or any part of the Property the Community Association.

2.20 "Owner" shall mean a record owner of fee simple title, or long-term leasehold interest of record, to a Unit, or other parcel of property in the Community, whether held by one (1) or more persons or entities, and shall include Developer and Builder unless the context expressly provides otherwise. A contract purchaser under a recorded installment land sales contract shall be included as an Owner but those merely having an interest in property as security for performance of an obligation shall not be Owners.

2.21 "Project" shall mean all Units, improved or unimproved, and the Community Common Area of a separate subdivision, Condominium Project, or development initially a part of the Community, or hereafter annexed into the Community and as established by a Final Subdivision Map or Final Parcel Map, Condominium Plan, Record of Survey or other such land division and by the Project Declaration stating that such property shall be a separate Project, and providing for restrictions for the governing, operation, maintenance and use thereof. Projects may be established by the Developer or Builder in increments compatible with construction and marketing requirements.

2.22 "Project Assessments" shall mean assessments determined pursuant to any Project Declaration, and which are levied exclusively on the Units contained in a particular Project.

2.23 "Project Association" shall mean the California non-profit mutual benefit corporation, or any successor entity of a Project created pursuant to the Project Declaration, Articles of Incorporation, or the By-Laws therefor.

2.24 "Project Board" shall mean the governing body of a Project created pursuant to the Project Declaration Articles, of Incorporation, or the By-Laws therefor.

2.25 "Project Common Area" shall mean the area within the boundaries of a Project owned by the Project Association or collectively by the Owners within the Project in common and restricted in whole or in part to use primarily by or for the benefit of the Owners of Units within the Project, their occupants and guests.

2.26 "Project Declaration" shall mean the Declaration of Covenants, Conditions, and Restrictions which are recorded with respect to each Project, including the declarations providing for Annexation of increments, if any, to a particular Project.

2.27 "Unit" shall mean any Condominium which is a part of a Condominium Project in the Community as shown on any recorded Subdivision Map or Condominium Plan for such Condominium Project. Unit shall also mean any Lot shown on any recorded subdivision map with a residential dwelling constructed or to be constructed thereon.

ARTICLE 3

MEETINGS OF COMMUNITY MEMBERS

3.1 Community Member - Designation of Delegate.
Each Community Member shall be represented at all Community Meeting by the President of its Project Board who shall be the Delegate of the Community Member. The Delegate shall have the power to exercise the Community Voting Rights of the Community Member and to represent the Community Member on all matters at the Community Meeting. The Delegate shall act as the elector in all elections for Community Director. In all matters in which the Community Members are entitled

to vote, the Delegate shall cast the vote of the Community Member in accordance with the instructions of the Project Board or, as may otherwise be required by the Project Declaration or Project By-Laws. A Delegate shall be accredited to exercise the power of the Community Member by resolution of the Project Board filed with the Community Board prior to each annual meeting of the Community Members. Such accreditation shall be for a period of one (1) year. The accredited Delegate may designate an alternate to act in his place and stead at any meeting of the Community Members. The designation of an alternate shall be made by a written statement signed by the Delegate and filed with the Community Board prior to the Community Meeting. The accreditation of an alternate shall expire at the conclusion of the Committee Meeting for which the designation was made.

3.2 Annual Meetings. The first meeting of the Community Association shall be held within forty-five (45) days after the close of escrows for the sale of fifty-one (51%) percent of the Units in the first Project in the Community, but in any event not later than six (6) months after the close of escrow for the sale of the first Unit in the first Project in the Community. Subsequent annual meetings shall be held yearly thereafter on the anniversary of the first annual meeting or at such other reasonable date within thirty (30) days thereof as may be determined by the Community Board. Annual meetings and special meetings shall be held at 7:00 p.m. or at such other time as the Community Board shall determine is reasonable at the Community, or as close thereto as possible; provided that unless unusual conditions exist, meetings shall not be held outside the County of San Diego.

3.3 Special Meetings. Special meetings of the Community Members shall be called promptly by the Community Board upon a vote by a majority of a quorum of the Community Board or upon receipt of a written request therefor signed by Community members representing not less than five percent (5%) of the voting power of the Community Association.

3.4 Notice of Meetings. Written notice of each annual and special meeting of the Community Members shall be given by, or at the direction of, the Community Board or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, not less than ten (10) nor more than ninety (90) days before such meeting to each Community Member entitled to vote thereat, addressed to the Community Member's address last appearing on the books of the Community Association, or supplied by such Community Member to the Community Association for the purpose of

notice. Such notice shall specify the place, day and hour of the meeting and in the case of a special meeting, the purpose of the meeting in specific terms, and the nature of the business to be undertaken. In cases where the Community Board finds an emergency exists, notice provided for herein may be reduced to not less than five (5) days.

3.5 Quorum. The presence at the meeting of Community Members entitled to cast, or of proxies entitled to cast, fifty percent (50%) of the voting power shall constitute a quorum for any action except as otherwise provided in the Community Articles, Community Declaration, or these Community By-Laws. If, however, such quorum shall not be present, or represented at any meeting, the Community Members present, either in person or by proxy, shall have the power to adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%). 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 Community Members in the manner prescribed for regular meetings.

3.6 Proxies. At all meetings of Community Members, each Community Member may vote in person or by proxy. All proxies shall be in writing and filed with the Community Secretary. Every proxy shall be revocable and shall automatically expire after one (1) year.

3.7 Action Without A Meeting. Any action which may be taken by the vote of Community Members at a regular or special meeting, except the election of Community Directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporations Code.

ARTICLE 4

COMMUNITY BOARD OF DIRECTORS

4.1 Number. The Community Board shall initially consist of three (3) Community Directors. At such time as the Community consists of one thousand (1,000) Units, the Community Board shall be reconstituted and shall consist of five (5) Community Directors. At such time as the Community consists of two thousand (2,000) Units, the Board shall be reconstituted and consist of seven (7) Community Directors.

4.2 Term. At the first meeting of the Community Members following the adoption of these Community By-Laws, the Community Members shall elect all three (3) Community Directors, and at each annual meeting thereafter, the Community Members shall elect Community Directors to replace Community Directors whose term has expired. Where the Community Board consists of three (3) Community Directors, each Community Director shall serve a term of one (1) year. Upon reconstitution of the Community Board to five (5) Community Members, a special election shall be held for the election of all five (5) Community Directors. At such election, the Community Board shall be classified according to the number of votes received. The three (3) Community Directors receiving the highest number of votes shall serve for a term of two (2) years. The remaining two (2) Community Directors shall serve for a term of one (1) year. Upon reconstitution of the Community Board to seven (7) Community Members, a special election shall be held for the election of all seven (7) Community Directors. At such election, the Community Board shall be classified according to the number of votes received. The four (4) Community Directors receiving the highest number of votes shall serve for a term of two (2) years. The remaining three (3) Community Directors shall serve for a term of one (1) year. Thereafter, at each subsequent election of Community Directors, where the Community Board consists of either five (5) or seven (7) Community Directors, the Community Directors elected, whether two (2), three (3), or four (4), as the case may be, shall serve for a term of two (2) years commencing upon the election and ending when their successors have been elected.

4.3 Removal. Any Community Director may be removed at any meeting of the Community Members. All Community Directors, unless removed, shall hold office until their respective successors are elected. In any vote for the removal of more than one (1) Community Director, Community Members shall be entitled to cumulate their votes; that is, all or any part of the total number of votes that each Community Member has (based upon one (1) vote per Community Member for each Community Director to be removed), may be cast for the election of or removal of any one (1) Community Director. Unless the entire Community Board is removed, an individual Community Director shall not be removed prior to the expiration of his term of office, if the number of votes cast against his removal is sufficient to elect the Community Director if voted cumulatively at an election at which time the same total number of votes were cast and the entire number of Community Directors authorized at the time of the most recent election of the Community

Directors were then being elected. A Community Director elected under Article 5.3 shall be removed only by the vote of at least a simple majority of Class A votes, excluding any votes of the Developer.

4.4 Vancancies. In the event of death or resignation of a Community Director, the successor shall be selected by the remaining Community Members of the Community Board and shall serve for the unexpired term of the predecessor. In the event of a vacancy created by the removal of a Community Director(s), a successor Community Director(s) shall be elected by the Community Members as provided in Article 5 to serve for the unexpired term of the Community Director(s) so removed. The election shall be held at the same time as the Community Members act upon the question of removal.

ARTICLE 5

NOMINATION AND ELECTION OF COMMUNITY DIRECTORS

5.1 Nomination. Nomination for election to the Community Board shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the Community Board, and two (2) or more Owners. The nominating committee shall be appointed by the Community Board prior to each annual meeting of the Community Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The nominating committee shall make as many nominations for election to the Community Board as it shall, in its discretion, determine but not less than the number of vacancies that are to be filled. Such nominations may be made from among Owners or non-Owners.

5.2 Election. Election to the Community Board shall be by secret written ballot. Each Delegate or their proxy shall be entitled to cast for each Community Director to be elected the number of votes applicable to each class of votes held by the Community Member he represents; provided that in all elections for Community Directors where two (2) or more positions on the Community Board are to be filled, Community Members shall be entitled to cumulate votes as follows:

(a) If cumulative voting is applicable as provided herein, a Delegate or his proxy may cumulate votes by casting for a candidate the number of votes equal to the number of Community Directors to be elected multiplied by the number of votes to which the Community Member is entitled, or distribute the Community Member votes among the candidates to be elected in accordance with the instructions of the Project Board.

(b) No Delegate shall be entitled to cumulate votes for a candidate unless such candidate's name has been placed in nomination prior to the voting and the Delegate or his proxy has given notice at the meeting prior to the voting of the Delegate's intention to cumulate votes. If any one (1) delegate has given such notice, all Delegates shall cumulate their votes for candidates in nomination;

(c) In any election of Community Directors, the candidates receiving the highest number of votes are elected.

5.3 Special Procedure for Election of Community Directors. Notwithstanding anything to the contrary herein contained, so long as any Class B votes are cast at any election of Community Directors, or for so long as the Developer or Builder holds a majority of the voting power of the Community Association, at least twenty percent (20%) of the incumbents on the Community Board shall have been elected in accordance with the following procedure. If at any election of Community Directors the votes cast by all Delegates other than votes cast by Developer or Builder are insufficient when cumulated in favor of nominees to elect twenty percent (20%) of the incumbents of the Community Board, then the nominees sufficient in number to constitute twenty percent (20%) of the incumbents on the Community Board receiving the highest number of votes excluding any Class B votes or votes of the Developer or Builder shall be elected to the Community Board. It is intended by this Article to provide that voting power other than the voting power controlled by the Developer or Builder shall elect at least twenty percent (20%) of the Community Directors to the Community Board.

ARTICLE 6

MEETINGS OF COMMUNITY BOARD OF DIRECTORS

6.1 Regular Meetings. Regular meetings of the Community Board shall be held not less than quarterly at such date, time and place within the Community Project as

may be fixed from time to time by resolution of the Community Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

6.2 Special Meetings. Special meetings of the Community Board shall be held when called by the Community President, or by any two (2) Community Directors, after not less than three (3) days' notice to each Community Director.

6.3 Quorum. A majority of the number of Community Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Community Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Community Board.

6.4 Notice of Meetings. Notice of all meetings of the Community Board shall be posted in at least two (2) prominent places in the Community Common Area at least five (5) days prior to the meeting in the case of regular meetings and three (3) days in the case of special meetings. The notice shall specify the time and place of meeting; whether the meeting is regular or special and in the case of special meetings the nature of any special business to be transacted. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

6.5 Notice of Meeting to Community Directors. The notice required by this Article shall, in case of regular meetings, be communicated to all Community Directors not less than four (4) days prior to the meeting and in the case of special meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting provided that in the case of regular meetings or special meetings the notice of the meeting provided herein need not be given to any Community Director who signs or has signed a waiver of Notice or written consent to the holding of the meeting.

6.6 Open Meetings. All meetings of the Community Board shall be open to Community Members and Owners; provided, however, no Owner who is not a Community Director may participate in any discussion or deliberation unless authorized by a vote of a majority of a quorum of the Community Board. Nothing herein shall prohibit the Community Board from adjourning to closed meeting (executive session) when such executive session has been approved by a majority of a quorum of the Community Board to discuss and vote upon personnel matters and litigation in which the Community Association is or may become involved. The nature of any

and all business to be considered in executive session shall be announced in open session.

6.7 Action Without A Meeting. The Community Board may take actions without a meeting if all of the Community Directors consent in writing to the action to be taken.

If the Community Board resolves by unanimous written consent to take action, an explanation of the action taken shall be posted in at least two (2) prominent places within the Community Common Area within three (3) days after the written consents of all Community Directors have been obtained.

ARTICLE 7

POWERS, DUTIES AND LIMITATIONS OF COMMUNITY BOARD OF DIRECTORS

7.1 Powers and Duties. The powers and duties of The Community Board shall include, but not be limited to, the following:

7.1.1 Community Standards. Establish and maintain overall quality standards for the Community compatible with Developer's development plans and the Design Criteria. The inherent powers and duties emanating therefrom may be delegated by the Community Board to the Community Architectural Control Committee.

7.1.2 Operation of Community Common Facilities. Operate and cause to be operated the facilities situated on the Community Common Area. The Community Board shall periodically review the nature and scope of the operations of the Community Association to assure such operations are in satisfactory compliance with the requirements of the Community Declaration and these Community By-Laws.

7.1.3 Community Common Area Maintenance. Manage, operate, maintain, repair, and replace the Community Common Area and other property and interests owned by the Community Association, and to acquire, maintain, and replace such furnishings and equipment as the Community Board shall determine proper. The Community Board shall landscape, irrigate, and otherwise maintain all slopes within the Community Common Area and the landscaped areas which are adjacent to, or which are median strips a part of, dedicated major thoroughfares owned by the City as if such areas are a part of the Community Common Area.

7.1.4 Review of Project Operations. Periodic review of the operation of the Project Associations and the maintenance and repair of the property within the Projects.

7.1.5 Community Assessments and Funds. Establish the Community Funds, determine, levy, collect, and enforce all Community Assessments and cause to be prepared all budgets and financial statements.

7.1.6 Payment From Community Funds. Provide and pay for from the Community Funds any and all goods and/or services for the Community Common Area, facilities, and interests or for the Community Association to fulfill any duty or responsibility of the Community Association imposed by the Community Declaration, or for the benefit of the Owners, or as may be imposed by law, subject to the limitations set forth in Article 7.2.

7.1.7 Taxes and Assessments. Payment of taxes and assessments which are, or could become, a lien on the Community Common Area or a portion thereof.

7.1.8 Utilities. Provide and pay for all utility services necessary or desirable for the benefit of the Community Common Area, including, but not limited to, water, gas, electricity, telephone, refuse collection, and sewage disposal.

7.1.9 Insurance. Contract for casualty, liability, and other insurance on behalf of the Community Association and as required in the Community Declaration.

7.1.10 Management. Services of a person or firm to manage the Community and services of such other personnel as the Community Board shall deem necessary or proper for the operation of the Community.

Notwithstanding any provisions to the contrary in these Community By-Laws, no agreement for the services of a person or firm to manage the Community shall exceed a term of one (1) year and any such agreement shall provide for termination by either party, without cause, and without payment of a termination fee on ninety (90) days' or less written notice.

7.1.11 Legal and Accounting. Legal and accounting services necessary or proper for the operation of the Community or the facilities or for the enforcement of the Community Declaration.

7.1.12 Use Fees. Impose and collect reasonable use fees to Owners and others for the use of any facilities situated upon the Community Common Area, but in no event shall any such fees be charged for the use of pedestrian or vehicular (including bicycles and other similar means of locomotion) ingress, egress, and access, except vehicular parking.

7.1.13 Community Safety. Provide for such services for the protection and safety of the Community Common Area as the Community Board deems reasonable and appropriate, including, but not limited to, security guards and patrols, electronic security devices and equipment and other related security services, equipment, and material.

7.1.14 Circulation System. Control, operate, maintain, and regulate the pedestrian and bicycle circulation system of the Community in a manner that will facilitate and encourage the use thereof by all Owners.

7.1.15 Rules. Formation of rules for the operation of the Community, Community Common area, and facilities owned or controlled by the Community Association.

7.1.16 Discipline. Initiate and execute disciplinary proceedings against Community Members and Owners for violations of provisions of the Community By-Laws and the Community Declaration in accordance with the procedures set forth in said documents.

7.1.17 Enforcement. Enforce applicable provisions of the Community Declaration, Community Articles, these Community By-Laws, and other instruments for the ownership, management, and control of the Community.

7.1.18 Delegation of Powers. Delegate its powers to committees, officers, or employees of the Community Association as expressly authorized by the Community Articles, these Community By-Laws, and the Community Declaration.

7.1.19 Entry. Entering unto any Unit as necessary in connection with construction, maintenance or emergency repair for the benefit of the Common Area or the owners in common.

7.2 Limitations. The Community Board shall be prohibited from taking any of the following actions, except with the vote or written consent of a majority of the total voting power of the Community Association, and a majority of

the voting power of the Community Association, excluding the voting power held or controlled by the Developer or Builder.

7.2.1 Contracts. Entering into a contract with a third person wherein the third person will furnish goods or services for the Community Common Area or the Community Association for a term longer than one (1) year with the following exceptions:

(a) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(b) A 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 policies of not to exceed three (3) years' duration, provided that the policy permits short rate cancellation by the insured.

7.2.2 Capital Improvements. Incurring aggregate expenditures for capital improvements to the Community Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Community Association for that fiscal year.

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

7.2.4 Compensation. Paying compensation to Community Directors or to Community Officers of the Community Association for services performed in the conduct of the Community Association's business; provided, however, that the Community Board may cause a Community Director or Officer to be reimbursed for expenses incurred in carrying on the business of the Community Association.

ARTICLE 8

COMMUNITY OFFICERS AND THEIR DUTIES

8.1 Enumeration of Community Officers. The Officers of this Community Association shall be a President, and a Vice President, who shall at all times also be Community Directors; a Secretary, a Chief Financial Officer, and such other Officers as the Community Board may from time to time by resolution create.

8.2 Election of Community Officers. The election of Community Officers shall take place at the first meeting of the Community Board following each annual meeting of the Community Members.

8.3 Term. The Community Officers shall be elected annually by the Community Board and each shall hold office for one (1) year unless he sooner resigns, or shall be removed, or otherwise is disqualified to serve.

8.4 Special Appointments. The Community Board may elect such other Community Officers as the affairs of the Community Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Community Board may from time to time determine.

8.5 Resignation and Removal. Any Community Officer may be removed from office with or without cause by the Community Board. Any Community Officer may resign at any time by giving written notice to the Community Board, the President, or the Secretary. Such resignation shall take effect on the date of 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.

8.6 Vacancies. A vacancy in any office may be filled by appointment by the Community Board. The Community Officer appointed to fill such vacancy shall serve for the remainder of the term of the Community Officer he replaces.

8.7 Multiple Offices. The offices of Secretary and Chief Financial Officer may be held by the same person. No person shall simultaneously hold more than one (1) or any of the other offices except in the case of special offices created pursuant to Article 8.4

8.8 Duties. The duties of the Community Officer are as follows:

(a) President. The President shall preside at all Community Members' meetings and at all meetings of the Community Board, and shall see that orders and resolutions of the Community Board are carried out.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Community Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Community Board and of the Community Members; keep the corporate seal of the Community Association and affix it on all papers requiring said seal; serve notice of meetings of the Community Board and of the Community Members; keep appropriate current records showing the Community Members of the Community Association and their addresses, and shall perform such other duties as required by the Community Board.

(d) Chief Financial Officer. The Chief Financial Officer shall receive and deposit in appropriate bank accounts all moneys of the Community Association, and shall disburse such funds as directed by resolution of the Community Board; shall sign all checks and promissory notes of the Community Association; keep proper books of account; cause an annual report of the Community Association books to be made at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures. A copy of the report and the budget and statement of income and expenditures shall be delivered to Community Members as provided in the Community Declaration.

ARTICLE 9

INDEMNIFICATION OF COMMUNITY OFFICERS, COMMUNITY DIRECTORS AND AGENTS

9.1 Right of Indemnity. The Community Association shall indemnify such Community Director, officer, committee member, employee, or other agents of the Community Association who is a party to or is threatened to be made a party to any proceeding, including a proceeding by or in the right of the Community Association, by reason of the fact

that such person is or was a Community Director, officer, committee member, employee, or agent of the Community Association against all expenses and liabilities actually and reasonably paid or incurred in connection with such proceeding to the maximum extent permitted by the California Non-Profit Mutual Benefit Corporation Law. Terms used in this Article 9 shall have the same meaning as in Section 7237 of the California Non-Profit Mutual Benefit Corporation Law.

9.2 Approval of Indemnity. Upon written request to the Community Board by any person seeking indemnification hereunder, the Community Board shall promptly determine whether the applicable standard of conduct set forth in the California Non-Profit Mutual Benefit Corporation Law has been met and, if so, the Community Board shall authorize indemnification. If the Community Board cannot authorize indemnification because the number of Community Directors who are parties to the proceeding with respect to which indemnification is sought prevent formation of a quorum of Community Directors who are not parties to such proceeding, the Community Board shall promptly call a special meeting of Community Members. At such meeting, the Community Members shall determine whether the applicable standard of conduct set forth in the California Non-Profit Mutual Benefit Corporation Law has been met and, if so, the Community Members shall authorize indemnification. Community Members or other persons seeking to be indemnified shall not be entitled to vote on the question of indemnification.

9.3 Advancement of Expenses. To the full extent permitted by law and except as is otherwise determined by the Community Board in a specific instance, expenses incurred by a Community Director, officer, committee member, employee, or agent seeking indemnification under these Community By-Laws in defending any proceeding covered by these Community By-Laws shall be advanced by the Community Association prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the Community Director, officer, committee member, employee, or agent to repay such amount unless it is ultimately determined that such person is entitled to be indemnified by the Community Association therefor.

ARTICLE 9

COMMUNITY ASSESSMENTS

As more fully provided in the Community Declaration, each Owner, Developer, or Builder is obligated to pay the Community Assessments which are secured by a continuing lien upon the Unit against which the Community Assessment is made. Any Community Assessments which are not paid when due shall be delinquent. The Community Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Unit and interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such Community Assessment. No owner may waive or otherwise escape liability for the Community Assessment provided for herein by non-use of the Community Common Area or abandonment of his Unit.

ARTICLE 11

BOOKS AND RECORDS

11.1 Community Member's Right of Inspection. All of the books, records, and related documents of the Community Association or the Community Board, and any committee thereof, shall at all times during reasonable business hours be subject to inspection by any Community Member, Delegate, or Owner. The Community Declaration, Community Articles, and Community By-Laws, and all books, records, and related documents of the Community Association, the Community Board, and any committee thereof shall be available for inspection and copying by any Community Member, Delegate, or Owner, or designated representative at the principal office of the Community Association, where copies may be purchased at reasonable cost.

The Community Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the Community Member, Delegate, or Owner desiring to make the inspection;

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

(c) Payment of the cost of reproducing copies of the documents requested by a Community Member, Delegate or Owner.

11.2 Community Director's Right of Inspection.
Every Community Director shall have the absolute right, at any reasonable time, to inspect all books, records, and related documents of the Community Association and the physical properties owned or controlled by the Community Association. The right of inspection by a Community Director(s) includes the right to make extracts and copies of such documents.

ARTICLE 12

COMMUNITY BUDGET AND FINANCIAL STATEMENTS

Financial statements for the Community Association shall be prepared and distributed to all Community Members and Owners regardless of the number of Owners or the amount of assets of the Community Association as follows:

(a) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than sixty (60) days before the beginning of the fiscal year.

(b) 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 Unit in the first Project in the Community - 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 Community Assessments received and receivable identified by the number of the Units and the name of the Owners assessed.

(c) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the 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 Corporations Code.

The annual report referred to in Article 12.1(c) above shall be prepared by a certified public accountant for any fiscal year in which the gross income to the Community Association exceeds \$75,000.00.

If the report referred to in Article 12.1(c) above is not prepared by a certified public accountant, it shall be accompanied by a certificate of an authorized officer of the Community Association that the statements were prepared without audit from the books and records of the Community Association.

ARTICLE 13

AMENDMENTS

13.1 Vote Required. These Community By-Laws may be amended at a regular or special meeting of the Community Members, and shall require the vote or written consent of the voting power of the Community Association as follows:

(a) At least fifty-one percent (51%) of the Class A votes; and

(b) At least fifty-one percent (51%) of the Class B votes.

If, as to any Community Member, a two (2) class voting structure is no longer in effect because of the conversion of Class B votes to Class A votes, the amendment to these Community By-Laws shall require the vote or written consent of the voting power of the Community Association as follows:

(a) At least fifty-one percent (51%) of the voting power of the Community Association; and

(b) At least fifty-one percent (51%) of the votes of Community Members excluding the voting power held or controlled by the Developer or Builder.

Notwithstanding the foregoing, the percentage of a quorum or the voting power of the Community Association or of Community Members other than the Developer necessary to amend a special clause or provision of these Community By-Laws, shall not be less than the prescribed percentage of affirmative votes required for action to be taken under the clause or provision.

13.2 Conflict Between Documents. In the case of any conflict between the Community Articles and these Community By-Laws, the Community Articles shall control, and in the case of any conflict between the Community Declaration and these Community By-Laws, the Community Declaration shall control.

ARTICLE 14

MISCELLANEOUS

The fiscal year of the Community Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

CERTIFICATE OF ADOPTION OF BY-LAWS

Adoption By Incorporation

The undersigned person, appointed in the Community Articles of Incorporation to act as the Incorporator of the above-named Corporation, hereby adopts the same as the By-Laws of said Corporation.

Executed this 19 day of OCTOBER, 1983.

Barclay

_____, Incorporator

CERTIFICATE OF SECRETARY

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of the above-named corporation; that the foregoing By-Laws were adopted as the By-Laws of said corporation on the date set forth above by the person appointed in the Articles of Incorporation to act as the incorporator of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and set my hand and affixed the seal on this 19th day of October, 1983.

Erin M. DeBurell
Secretary

DK:BY36(C)