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86-438003

RECORDED REQUEST OF FIRST AMERICAN TITLE CO.

RECORDED IN
OFFICIAL RECORDS
OF SAN DIEGO COUNTY, CA.

Recording Requested By:)

1986 OCT 1 AM 8:00

The Sunland Housing Group,)
Inc., a California corporation)

VERA L. LYLE
COUNTY RECORDER

And When Recorded Mail To:)

James P. Ferguson, Esq.)
c/o SPARBER & FERGUSON)
701 "B" Street, Suite 800)
San Diego, CA 9201-8103)

RF 33
AR 3029
MG 2

SPACE ABOVE FOR RECORDER'S USE

920987-14

BERNARDO VISTA AT BERNARDO HEIGHTS PLANNED DEVELOPMENT

DECLARATION OF RESTRICTIONS

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DECLARATION OF RESTRICTIONS

THIS DECLARATION OF RESTRICTIONS is made and executed by THE SUNLAND HOUSING GROUP, INC., a California corporation, herein referred to as "Declarant" (more specifically defined in Article 1 hereof),

WITNESSETH THAT:

WHEREAS, Declarant is the owner of the property in San Diego County, California, described as:

Lots 4 through 70 of BERNARDO HEIGHTS UNIT NO. 21, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11115, filed in the Office of the County Recorder of said San Diego County, December 24, 1984.

WHEREAS, Declarant will create, on the property described above, a Planned Development pursuant to California Business and Professions Code Section 11003, to be developed in three (3) phases as follows:

<u>Phase</u>	<u>Residential Lots</u>	<u>Number of Residential Lots</u>
1	13 - 36	24
2	37 - 58	22
3	59 - 70; 4 - 12	21

There is no guarantee that all phases will be completed or that the phasing will occur as planned;

WHEREAS, Declarant is about to sell and convey portions of the property described above and Declarant desires and intends to hereby subject said property to mutual, beneficial restrictions under a general plan or scheme of improvement for the benefit of said property and of the future owners thereof;

WHEREAS, each Owner of a Lot will be a Member of BERNARDO VISTA AT BERNARDO HEIGHTS ASSOCIATION, a California nonprofit mutual benefit corporation, herein referred to as "Association" (more specifically defined in Article 1 hereof). The Association has been formed to served as the Neighborhood Association, as described in the Community Declaration (more specifically defined in Article 1 hereof);

NOW, THEREFORE, Declarant hereby declares that all of the property described above is held by Declarant and shall be owned,

held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and/or improved subject to the limitations, restrictions, conditions and covenants herein set forth, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of said property and are established and agreed upon for the purposes of enhancing and protecting the value, desirability and attractiveness of said property and every part thereof. All of the limitations, restrictions, conditions and covenants herein set forth shall run with the land and shall be binding on all parties having or acquiring any right, title or interest in said property or any part thereof.

ARTICLE 1

Definitions

1.1 Each of the following words and phrases shall, in this instrument, have the respective meaning shown below, unless a contrary meaning shall, by the context, be evident:

1.1.1 "Articles" shall mean the Articles of Incorporation of the Association as said Articles of Incorporation may from time to time be amended.

1.1.2 "Association" shall mean the Bernardo Vista at Bernardo Heights Association, a California nonprofit mutual benefit corporation, formed and maintained pursuant to the California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code §7110 et seq.), composed of the Owners as defined hereinbelow.

1.1.3 "Board of Directors" shall mean the Board of Directors of the Association.

1.1.4 "Bylaws" shall mean the Bylaws of the Association as said Bylaws may from time to time be amended.

1.1.5 "Community" shall mean and refer to the Community of Bernardo Heights of which the Project is a constituent part, being all of the real property subject to the Community Declaration or annexed thereto.

1.1.6 "Community Architectural Committee" shall mean and refer to the Community Architectural Committee established pursuant to Article VIII of the Community Declaration.

1.1.7 "Community Articles" shall mean and refer to the Articles of Incorporation of the Community Association, as they may from time to time be amended.

1.1.8 "Community Assessments" shall mean and refer to the assessments levied by the Community Association pursuant to the Community Declaration.

1.1.9 "Community Association" shall mean and refer to the Community Association of Bernardo Heights as defined and established in the Community Declaration.

1.1.10 "Community Board" shall mean and refer to the Board of Directors of the Community Association.

1.1.11 "Community Bylaws" shall mean and refer to the Bylaws of the Community Association duly adopted by the Community Board.

1.1.12 "Community Common Area" shall mean and refer to all real property in which the Community Association owns an interest for the common use and benefit of the Community Members, their lessees, guests, invitees or patrons. The Community Common Area may include interests held by lease or easement as well as estates in fee.

1.1.13 "Community Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights recorded on September 30, 1980, Official Records of San Diego County, as File No. 80-319018, and such amendments thereto as shall from time to time be recorded.

1.1.14 "Community Member" shall mean and refer to any entity holding membership in the Community Association.

1.1.15 "Community Rules" shall mean the Rules adopted by the Community Board pursuant to paragraph 3.8 of the Community Declaration.

1.1.16 "Declarant" shall mean (i) The Sunland Housing Group, Inc., a California corporation, and (ii) any successor in interest of The Sunland Housing Group to whom all or any of the rights of Declarant under the Articles, Bylaws and this Declaration have been transferred and who is (a) a grantee under a deed executed and delivered prior to the conveyance of the first Lot (defined below) which conveys the entire Project (defined below), or (b) a grantee under a deed conveying two (2) or more Lots. Notwithstanding the provisions of the Article hereof entitled "Amendment" to the contrary, this paragraph may not be amended without the approval of Declarant.

1.1.17 "Declaration" shall mean this instrument, as the same may from time to time be amended pursuant to the Article entitled "Amendment."

1.1.18 "Eligible Guarantor" shall mean any governmental guarantor of any Mortgage as defined hereinbelow who has requested the Association, in a writing stating such guarantor's name and address and the address of the Lot encumbered by the Mortgage guaranteed, to provide notice of those matters to which such guarantor is entitled by reason of this Declaration or the Bylaws.

1.1.19 "Eligible Insurer" shall mean any insurer of any Mortgage as defined hereinbelow who has requested the Association, in a writing stating such insurer's name and address and the address of the Lot encumbered by the insured Mortgage, to provide notice of those matters to which such insurer is entitled by reason of this Declaration or the Bylaws.

1.1.20 "Eligible Mortgagee" shall mean any Mortgagee as defined hereinbelow who has requested the Association, in a writing stating the Mortgagee's name and address and the address of the Lot encumbered by the Mortgage held by the Mortgagee, to provide notice of those matters to which such Mortgagee is entitled by reason of this Declaration or the Bylaws.

1.1.21 "Lots" shall mean all of Lots 4 through 70, inclusive, described above; "Lot" shall mean any one of the Lots.

1.1.22 "Member" shall mean an Owner, as defined hereinbelow, entitled to membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot.

1.1.23 "Mortgage" shall mean any real property mortgage or deed of trust encumbering any Lot.

1.1.24 "Mortgagee" shall mean the mortgagee under any real property mortgage or beneficiary under any deed of trust, which mortgage or deed of trust encumbers any Lot.

1.1.25 "Owner" shall mean Declarant prior to the first conveyance of a Lot, and thereafter shall mean the person(s) who hold(s) record title to any Lot, including Declarant for as long as Declarant holds title to a Lot.

1.1.26 "Project" shall mean the Bernardo Vista at Bernardo Heights Planned Development, encompassing both the Lots and such additions thereto as may hereinafter be brought within the jurisdiction of the Association.

ARTICLE 2

Community Association

2.1 The officers, agents, employees and independent contractors of the Community Association shall have a nonexclusive easement to enter upon the Project, or any portion thereof, for the purpose of performing or satisfying the duties and obligations of the Community Association as set forth in the Community Declaration, the Community Bylaws, the Community Articles, the Community Rules and the rules and regulations of the Community Architectural Committee.

2.2 Anything contained in this Declaration to the contrary notwithstanding, the lien of any assessment imposed upon any Lot

pursuant to this Declaration shall be subordinate and inferior to the lien of any assessment imposed upon such Lot pursuant to the Community Declaration.

2.3 Declarant, for each Lot which it owns, hereby covenants, and each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, does and is hereby deemed to covenant and agree to pay to the Community Association the Community Assessments imposed upon such Lots pursuant to the Community Declaration. The Community Assessments shall be levied and collected as provided in the Community Declaration.

The Community Association, in its sole and absolute discretion, may elect to require the Association to administer, levy, collect and enforce the Community Assessments imposed upon Lots. All such funds collected by the Association shall be held in trust by the Association for the benefit of the Community Association, and such funds shall be disbursed to the Community Association as provided in the Community Declaration.

The Community Association, in its sole and absolute discretion, may elect to administer, levy, collect and enforce the assessments by the Association provided for under this Declaration. All such funds collected by the Community Association shall be utilized in the manner and for the purposes specified in this Declaration and in the Community Declaration, the Community Bylaws, the Community Articles, the Community Rules and the rules and regulations of the Community Architectural Committee.

2.4 Breach of any of the limitations, restrictions, conditions and covenants set forth in this Declaration, or the continuation thereof, may be enjoined, abated or remedied by appropriate legal proceedings by the Community Association. The Community Association shall be deemed to be an Enforcing Person who may enforce the provisions of this Declaration pursuant to the Article entitled "Scope; Enforcement." The failure of the Community Association to enforce any of said limitations, restrictions, conditions or covenants shall not constitute a waiver of the right to enforce the same thereafter. No liability shall be imposed on, or incurred by, the Community Association as a result of such failure. The prevailing party in any action at law or in equity instituted by the Community Association to enforce or interpret said limitations, restrictions, conditions or covenants, shall be entitled to all costs incurred in connection therewith, including, without limitation, reasonable attorneys' fees.

2.5 In addition to all of the rights and obligations which have been conferred or imposed upon the Association pursuant to this Declaration, the Bylaws or the Articles, the Association shall be entitled to exercise any of the rights conferred upon it and be subject to all of the obligations imposed upon it pursuant to the Community Declaration, the Community Bylaws or the

Community Articles. The Association (including, without limitation, the Architectural Committee of the Association, if any) shall also be subject to all superior rights and powers which have been conferred upon the Community Association pursuant to the Community Declaration, the Community Bylaws and the Community Articles.

Each Owner and such Owner's Lot(s) shall be subject to all of the limitations, restrictions, conditions and covenants contained in the Community Declaration.

In the event of any conflict between any of the covenants, conditions, restrictions or provisions of this Declaration, the Bylaws or the Articles with any of the limitations, restrictions, conditions and covenants of the Community Declaration, the Community Bylaws or the Community Articles, then, in such event, the limitations, restrictions, conditions and covenants of the Community Declaration, the Community Bylaws and the Community Articles shall govern and prevail.

ARTICLE 3

Use

3.1 None of the Lots shall be used for other than single-family residential purposes. No buildings or structures shall be erected, altered, placed or permitted to remain on any of the Lots other than one single-family dwelling, a private garage and other customary appurtenances incidental to the residential use of a Lot.

3.2 No pet(s) or other animal(s) may be raised or kept anywhere in or on the Project, including, but not limited to, the breeding of same, except as permitted by regulations adopted by the Board of Directors.

3.3 No structure of a temporary character, trailer, tent, shack or other outbuilding shall be erected or placed on any Lot, either temporarily or permanently. Nothing contained in the foregoing shall be construed to preclude the use of a trailer, outbuilding or other temporary structure used to facilitate construction, or the convenience of persons engaged in construction, during the period of construction of any single-family residence on any Lot, provided that any such trailer, outbuilding or structure shall be removed forthwith upon the completion of any such single-family residence.

3.4 No noxious or offensive activity shall be carried on upon any of the Lots, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.

3.5 No sign of any kind, except that of a customary address sign, a "For Sale" sign or a "For Rent" sign shall be displayed

to the public view on any of the Lots; provided, however, that any Owner displaying a "For Sale" or "For Rent" sign shall, in good faith and using its reasonable best efforts, endeavor to effect the sale or rental of its Lot, as the case may be.

3.6 All equipment, refuse cans and other containers shall be kept screened and concealed from view from any of the Lots or streets within the Project. All rubbish, trash and refuse shall be regularly removed from each Lot and shall not be allowed to accumulate thereon.

3.7 No outside clotheslines or other outside clothes drying or airing facilities shall be erected or maintained on any Lot so as to be visible from any of the Lots or streets within the Project.

3.8 No radio or television antenna or radio transmitter tower or facility shall be constructed, erected or otherwise placed on any Lot, unless the same is wholly within a building designed and constructed for purposes of a residence.

3.9 No automobile, truck, truck "cab," tractor, bus, motorcycle, trailer, recreational vehicle, van, camper, camper shell, motor home, mobile home, dune buggy, boat, sailboat, yacht, or other vehicle, sea-going vessel or equipment of any kind shall be parked, stored, deposited, maintained, repaired or otherwise kept on any Lot other than within a garage or other enclosed building on a Lot; provided, however, that passenger automobiles owned or regularly used by an Owner or a member of an Owner's immediate family, or guests thereof, may be temporarily parked in the driveway of such Owner's Lot during the normal waking hours of such Owner or such Owner's family. No dismantled or wrecked vehicle or equipment shall be parked, stored, deposited or the like on any Lot other than within a garage or other enclosed building on a Lot.

3.10 No Owner shall, either temporarily or permanently, use his garage for any use other than the parking of vehicles and the storage of miscellaneous personal property; in no event shall any garage be used for human habitation.

3.11 No garage door on any Lot shall remain open except for purposes of ingress and egress.

3.12 All leases and rental agreements of Lots shall (i) be in writing, (ii) provide that the terms thereof are subject to the provisions of this Declaration, the Articles, the Bylaws and the regulations, if any, adopted by the Board of Directors relating to the use of the Lot, and (iii) provide that any failure by the tenant thereunder to comply with the terms of said documents shall constitute a default under such lease or rental agreement. No Owner shall lease less than the entire residence upon a Lot. No Owner shall lease or rent its Lot for a term of less than thirty (30) days. Other than the foregoing, there shall be no restriction on the right of any Owner to lease or

rent its Lot. An Owner shall be responsible for any act(s) of any tenant or other occupant of such Owner's Lot which constitutes a breach of any provision of the Articles, the Bylaws, this Declaration or any rule or regulation adopted by the Board of Directors.

3.13 The Owner of a Lot whose residential structure has been damaged or destroyed by fire or other calamity shall promptly and diligently cause such structure to be repaired or restored. This obligation shall not extend to the installation of furniture and the like, but is for the purpose of preventing unsightliness caused by such damage or destruction and any resultant health or safety problems to other Owners within the Project and to the public.

3.14 No commercial trade or business shall be carried on upon any Lot. No activity shall be done upon any Lot and no use shall be made of any Lot which may be a nuisance to the neighborhood.

3.15 No Owner of a Lot shall in any way interfere with or change the established drainage pattern over his Lot from adjoining on other Lots; provided, however, each Owner will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over his Lot. For the purpose hereof, "established drainage" is defined as the drainage which occurred at the time the overall grading of said Lot was completed by Declarant. Any change in grading or drainage on any Lot shall first be approved by the Board of Directors and by the City of San Diego. Each Lot Owner shall permit free access by Owners of adjacent or adjoining Lots to slopes or drainageways located on his Lot when such access is necessary for the maintenance of permanent stabilization on said slopes or of the drainage facilities to protect property other than the Lot on which the slope or drainageway is located.

3.16 Each Lot Owner shall keep, maintain, water, plant and replant all slope banks located on such Owner's Lot so as to prevent erosion and to create an attractive appearance. No structure, planting or other material shall be placed or permitted to remain or other activities undertaken on any of said slope banks which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow of drainage channels or obstruct or retard the flow of water through drainage channels.

3.17 No Lot shall be resubdivided into building sites having a frontage of less than shown on the recorded Final Subdivision Map of which the Lot is a part.

3.18 No well for the production of, or from which there is produced, water, oil or gas shall be operated upon any Lot, nor shall any machinery, appliance or structure be placed, operated or maintained thereon for use in connection with any trading, manufacturing or repairing business. No slant drilling shall be

permitted on any Lot above a plane five hundred (500) feet below the surface of the land.

3.19 Within one hundred eighty (180) days after the close of escrow for the conveyance of a Lot by Declarant upon which Declarant has constructed a residence, the Owner shall plant a lawn or otherwise landscape the front yard. Prior to such planting or landscaping, the Owner shall submit a proposed landscape plan to be reviewed and approved by the Board of Directors. The landscaping shall be sufficient to prevent flow of soil or dirt from the Lot onto any adjacent sidewalk, street, parkway or Lot. No tree, shrub or other planting of any kind on a Lot shall be allowed to overhang or otherwise to encroach upon any sidewalk or other pedestrian way, from ground level to a height of ten (10) feet.

3.20 Within one hundred eighty (180) days after the close of escrow for the conveyance of a Lot by Declarant upon which Declarant has constructed a residence, the Owner shall build a mason or stucco wall that shall be perpendicular to the residence and facing the street. Said mason or stucco wall shall serve as the Owner's front fence and shall be subject to the requirements set forth in paragraph 3.21.

3.21 Neither chain link, open link, open wire, split rail, or open lattice fences, nor fences constructed of corrugated metal or plastic shall be constructed or permitted to remain on any Lot. No fence shall be constructed on any Lot until its design and materials have been reviewed and approved by the Board of Directors.

ARTICLE 4

The Association

4.1 The Association is, effective upon the recordation hereof, the "management body" to provide for the management, control and preservation of the Project, all as more specifically set forth in this Declaration, the Articles, the Bylaws and the regulations from time to time adopted by the Board of Directors.

4.2 Each Owner shall be and become a Member of the Association contemporaneously with his acquisition of a Lot (whether such acquisition occurs by (i) conveyance of a Lot by Declarant, (ii) voluntary transfer, assignment or conveyance of a Lot, (iii) involuntary transfer of a Lot, including without limitation, by reason of the death of an Owner, or (iv) foreclosure [by trustee's power of sale or by judicial process] of a deed of trust or other lien on a Lot without necessity of documentation or other action of any kind, by any person. The Board of Directors may require that any person acquiring a Lot notify the Association in writing of such acquisition so as to facilitate accurate record keeping of the membership. Where two (2) or more

persons hold or own a Lot, as joint tenants or otherwise, they shall constitute a single Member.

4.3 The officers, agents, employees and independent contractors of the Association shall have a nonexclusive easement to enter any Lot for the purpose of performing or satisfying the duties and obligations of the Association hereunder, provided that such entry shall occur (i) at a reasonable hour and (ii) after reasonable notice has been given to the Owner of such Lot. In the event that there is an emergency and the Owner of such Lot is not available at the time of such emergency, the officers, agents, employees and independent contractors of the Association may enter such Lot immediately and without notice for the sole purpose of taking such action as is necessary under the circumstances.

4.4 In addition to all other rights, powers and duties possessed by and vested in the Board of Directors under this Declaration, the Articles and the Bylaws, the Board of Directors shall possess and be vested with the right and power to (i) impose reasonable monetary penalties, in such amounts as determined by the Board of Directors in its sole discretion, against an Owner and (ii) seek reimbursement for costs as follows:

4.4.1 As a disciplinary measure for any breach of any of the (i) limitations, restrictions, conditions or covenants set forth in this Declaration (other than a breach by failure to pay an assessment), (ii) provisions of the Articles or the Bylaws, or (iii) rules or regulations adopted by the Board of Directors pursuant to this Declaration, the Articles or the Bylaws.

4.4.2 As a means of reimbursing the Association for costs incurred by the Association in bringing such Owner or the occupant of such Owner's Lot and/or said Lot into compliance with this Declaration (other than the payment of assessments), the Articles, Bylaws or said rules and regulations.

4.5 The imposition of a monetary penalty pursuant to paragraph 4.4 must be done in good faith and in a fair and reasonable manner. The Owner must be given fifteen (15) days' prior notice of the imposition of a monetary penalty. Said notice must set forth reasons for the imposition of the monetary penalty and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Owner shown on the Association's records. The Owner must be provided an opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of the imposition of each monetary penalty by a properly convened meeting of the Board of Directors. Any such breach which is not remedied in the calendar month in which the monetary penalty is imposed against an Owner by reason thereof shall, until fully remedied, be deemed to constitute a new breach in each succeeding calendar month for which the Board of Directors may in each such

calendar month impose a new monetary penalty pursuant to this paragraph.

ARTICLE 5

Assessments

5.1 The Board of Directors has and shall have the right and power to make, from time to time, reasonable assessments upon the Lots to meet anticipated authorized expenditure of the Association (which shall include the establishment of an adequate reserve fund for maintenance, repair and replacement of all personalty owned by the Association) and to change from time to time the amount, installments and/or frequency of payment of assessments.

5.1.1 No increase or decrease in the amount of such reasonable assessments for anticipated authorized expenditures of the Association in any one (1) fiscal year of the Association which exceeds ten percent (10%) of the regular assessment for the immediately preceding fiscal year may be made without the vote or written ballot of (i) the Owners entitled to exercise a majority of the total voting power in each of the two (2) voting classes as provided in the Article of the Bylaws entitled "Voting Rights," or (ii) upon cessation of one (1) of the two (2) voting classes, the Owners entitled to exercise a majority of the total voting power in the remaining voting class, provided that such vote or written ballot shall include the votes of a majority of the Owners other than Declarant. Each Owner shall be assessed separately for a share of such anticipated authorized expenditures, which share shall be levied against each Owner according to the ratio of the number of Lots owned by the Owner assessed to the total number of Lots subject to assessments.

5.1.2 Separate written notices of the making of such assessment (including in such notice the amount thereof and the frequency of payment) shall be deposited into the United States mail, postage prepaid, directed to the attention of each Owner, bearing the address of the Lot owned by such Owner (or such other address to which such Owner shall have directed the Association to deliver such notice), at least sixty (60) days prior to the beginning of a fiscal year.

5.2 The Board of Directors may also levy and collect special assessment(s) for capital improvements or other purposes in the same manner as regular assessments are levied and collected as described in paragraph 5.1. The amount of any such special assessment, together with any late payment penalty incurred pursuant to this Article, costs, reasonable attorneys' fees and interest in the event enforcement is commenced, shall be and become a lien upon any Lot in the same manner as regular assessments become a lien, provided, however, no such special assessment exceeding, in the aggregate five percent (5%) of the budgeted gross expenses of the Association for the then current

fiscal year of the Association may be levied without the vote or written ballot of (i) the Owners entitled to exercise a majority of the total voting power in each of the two (2) voting classes as provided in the Article of the Bylaws entitled "Voting Rights" or (ii) upon cessation of one (1) of the two (2) voting classes, the Owners entitled to exercise a majority of the total voting power in the remaining voting class, provided that such vote or written ballot shall include the votes of a majority of the Owners other than Declarant. The provisions of the preceding sentence shall not apply to special assessment(s) for repair, or the like, described in the Article entitled "Destruction; Insurance."

5.3 If the Association does not receive an Owner's payment of the entire amount of a regular or special assessment imposed upon the Owner's Lot pursuant to this Article within fifteen (15) days after the due date thereof, said assessment shall be deemed delinquent. At that time, a late payment penalty by way of liquidated damages shall be immediately due from such Owner. Each of the Owners recognizes and acknowledges that the late payment of an assessment will cause the Association to incur additional costs and expenses in connection with its management, control, maintenance, and preservation of the Project and that it is extremely difficult and impractical to ascertain the extent of such damages. Accordingly, each Owner shall pay to the Association a late payment penalty in the amount of (i) \$10.00 or (ii) ten percent (10%) of the amount of the unpaid assessment, whichever is greater.

5.3.1 No late payment penalty may be imposed more than once for delinquency of the same payment; however, the imposition of a late payment penalty on any delinquent payment shall not eliminate nor supersede late payment penalties imposed on prior delinquent payments. When any assessment is paid more than fifteen (15) days after its due date, a late payment penalty shall accrue from the first day following the due date of the assessment. The late payment penalty represents a fair and reasonable estimate of, and constitutes liquidated damages for, the costs and expenses (other than attorneys' fees, court costs and other costs incurred by the Association in connection with the creation and/or foreclosure of a lien for delinquent regular or special assessments) which the Association will incur by reason of the late payment. Acceptance of any late payment penalty by the Association shall neither constitute a waiver of such Owner's default with respect to the late payment, nor prevent the Association from exercising any of its other rights and remedies hereunder or at law.

5.3.2 In addition to the late payment penalty described above, each Owner shall pay to the Association the amount of reasonable attorneys' fees, reasonable costs of collection, court costs and other costs incurred by the Association in connection with the collection of delinquent assessments and creation and/or foreclosure of a lien for delinquent regular or special assessments. The Board of Directors may, from

time to time, to the extent permitted by law, increase the amount of the late payment penalty. The Board of Directors shall advise the Owners in writing of any increase in the late payment penalty not less than thirty (30) days prior to the effective date of any such increase.

5.3.3 In addition to the late payment penalty described above, each Owner shall pay the Association interest on all sums imposed in accordance with this paragraph including the delinquent payment, the late payment penalty and reasonable costs of collection at an annual percentage rate of twelve percent (12%) commencing thirty (30) days after the assessment due date.

5.4 Until such time as the Board of Directors shall change the same pursuant to paragraph 5.1, such assessments shall be due and payable monthly on the first day of each calendar month, commencing, as to all Lots, on the first day of the calendar month next following the first conveyance by Declarant of a Lot. Recordation of this Declaration shall not constitute a "notice of assessment" under paragraph 5.1, but shall be the equivalent of "separate written notice of the making of such assessment" described in paragraph 5.1. Declarant shall be absolutely liable for the monthly installment of any assessment, and any special assessment, constituting a lien on any Lot and accruing prior to the conveyance thereof by Declarant.

5.5 Anything in paragraph 5.1 to the contrary notwithstanding, if the tax is assessed to Declarant or to the Association upon the entire Project, a share thereof shall be included in the assessment upon each Owner which share shall be the portion which bears to the total tax assessed the same relationship as the purchase price of the land which constitutes such Owner's Lot bears to the aggregate of purchase prices of all such land. "Purchase price" means the price charged for such land by Declarant in its regular course of business; as to any land which has never been sold in the regular course of business, it shall mean the price at which such land is offered for sale to the public.

5.6 Any assessment made in accordance with this Declaration shall be a debt of the Owner of a Lot from the time the assessment is due. At any time after any assessments levied by the Board of Directors affecting any Lot have become delinquent, the Board of Directors may file for recording in the Office of the County Recorder of San Diego County a notice of delinquency as to such Lot, which notice shall state all amounts which have become delinquent with respect to such Lot and the costs (including attorneys' fees) and interest which have accrued thereon, the amount of any assessments relating to such Lot which is due and payable although not delinquent, a description of the Lot with respect to which the delinquent assessments are owed, and the name of the record or reputed record Owner of such Lot. Such notice shall be signed by the President or Vice President and Secretary or Assistant Secretary of the Association.

5.6.1 Immediately upon recording of any notice of delinquency pursuant to paragraph 5.6 above, the amounts delinquent, as set forth in such notice, together with the costs (including attorneys' fees) and late payment penalties accruing thereon, shall be and become a lien upon the Lot described therein, which lien shall also secure all other payments and/or assessments which shall become due and payable with respect to said Lot following such recording, and all costs (including attorneys' fees) and late payment penalties accruing thereon. Said lien shall continue for a period of one (1) year unless extended for a period of an additional year by the recording of a written extension by the Board of Directors. When a notice of assessment has been recorded, such assessment shall constitute a lien on each respective Lot prior and superior to all other liens, except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any first Mortgage of record and given for value.

5.6.2 In the event the delinquent assessments and all other assessments which have become due and payable with respect to a Lot, together with all costs (including attorneys' fees) and late payment penalties which have accrued on such amounts, are fully paid or otherwise satisfied prior to the completion of any sale held to foreclose the lien provided for in this Article, the Board of Directors shall record a further notice, similarly signed, stating the satisfaction and releasing of such lien.

5.6.3 Each assessment lien may be foreclosed as, and in the same manner as, the foreclosure of a mortgage or deed of trust upon real property under the laws of the State of California, or may be enforced by sale pursuant to Sections 2924, 2924(b), 2924(c) and 1356 of the California Civil Code, and to that end a power of sale is hereby conferred upon the Board of Directors. The Board of Directors, acting on behalf of the Owners, shall have the power to bid for the Lot at a foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid assessments, rent, attorneys' fees and late payment penalties shall be maintainable without foreclosing or waiving the lien securing the same.

5.7 The lien of the assessments provided for herein shall be subordinate to the lien of any first Mortgage given for value. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record, or other purchaser of a Lot, obtains title to the same as a result of foreclosure, such acquirer of title, its successors and assigns, shall not be liable for the share of the common expenses or assessments by the Board of Directors chargeable to such Lot

which became due prior to the acquisition of title to such Lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be a common expense collectible from the Owners of all of the Lots, excluding such acquirer, its successors and assigns.

5.8 The Board of Directors shall furnish, or cause an appropriate officer of the Association to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

5.9 No Owner may exempt itself from personal liability for assessment levied by the Board of Directors, nor release the Lot owned by it from the liens and charges hereof by abandonment of its Lot.

ARTICLE 6

Destruction; Insurance

6.1 The Board of Directors shall keep insured against loss by perils under a multi-peril policy(ies) of hazard insurance all fixtures, building service equipment, common personal property and supplies owned by the Association, under one master extended coverage hazard policy(ies) for the benefit of all Owners. The amount of coverage of such insurance shall be not less than one hundred percent (100%) of the fair market value of personal property as determined annually by an insurance carrier selected by the Board of Directors. The name of the insured under each policy of such insurance shall be substantially "Bernardo Vista at Bernardo Heights Association, a California nonprofit mutual benefit corporation, for use and benefit of individual owners," followed, if desired, by either the Association or the insurance carrier(s), by the designation of the Owners. Authority to adjust losses covered by the Association's policy(ies) shall be vested in the Board of Directors, and the Board of Directors is hereby irrevocably appointed as the attorney-in-fact for every Owner for this purpose. Insurance proceeds shall be payable directly to the Association for the use and benefit of the Owners and the Mortgagees, as their interests may appear. The premiums for such policy shall be paid as a common expense by the Association.

6.2 In the event of any loss, damage or destruction so insured against, the Board of Directors shall cause the same to be replaced, repaired or rebuilt. In the event the cost of such replacement, repair or rebuilding exceeds the hazard insurance proceeds received therefor, the Board of Directors shall levy and collect a special assessment in an equal amount from each Owner in the Project. In any event, all such hazard insurance proceeds

received for such loss, damage or destruction shall be used for such replacement, repair or rebuilding.

6.3 Each Owner shall keep all buildings and other insurable improvements on such Owner's Lot insured for the benefit of such Owner and such Owner's mortgagees, as their interests may appear. Such insurance shall insure against loss by perils under a multi-peril policy(ies) of hazard insurance, with waiver of any fall of building clause, on a replacement cost basis in an amount not less than that necessary to comply with any co-insurance percentage stipulated in such insurance policy. The amount of coverage of such insurance shall be such that in the event of any damage or loss to the improvements so insured, the insurance proceeds shall provide at least the lesser of (i) compensation equal to the full amount of damage or loss or (ii) compensation to such Owner's first Mortgagee equal to the full amount of the unpaid balance of said first Mortgagee's mortgage on such Owner's Lot. In lieu of the insurance to be maintained by each Owner pursuant to this paragraph, the Association may procure and maintain a blanket policy of hazard insurance with the same coverage as described above in this paragraph, insuring the single-family residential structure on each Owner's Lot. Any such blanket policy of insurance must name the Association as the insured for the benefit of the Owners. The premiums for any such blanket insurance policy shall be an expense of the Association and included in the assessments described in paragraph 5.1.

6.4 In the event of any loss, damage or destruction to any personalty owned by the Association not insured against under the policy(ies) of insurance required of the Association hereunder, the Board of Directors shall undertake to cause the same to be replaced, repaired or rebuilt. The cost of such replacement, repair or rebuilding shall be assessed equally to all of the Owners in the Project.

6.5 Copies of all such insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Association and open for inspection by Owners at any reasonable time(s). All such insurance policies shall (i) provide that they shall not be reducible or cancellable by the insurer, without first giving ten (10) days' prior notice in writing to the Association and all first Mortgagees, (ii) contain a waiver of subrogation by the insurer(s) against the Association, Board of Directors and Owners, (iii) contain or have attached thereto a standard loss payable clause or endorsement (customarily used by private institutional lenders in the county in which the Project is located) in favor of the Association as trustee for each Owner and each Mortgagee, (iv) contain or have attached thereto a standard mortgage clause or endorsement naming the "mortgagee" either the Federal National Mortgage Association or the servicers for the Mortgages held by the Federal National Mortgage Association, and (v) contain or have attached thereto such other endorsement(s) as such first Mortgagees may require to fully protect their interests, to the extent obtainable, including, in the case of the hazard insurance policy, (a) an Agreed

Amount and Inflation Guard Endorsement, and (b) any construction code endorsements (such as the Demolition Cost Endorsement, Contingent Liability from Operation of Building Laws Endorsement, and the Increased Cost of Construction Endorsement) if there is a construction code provision that requires changes to undamaged portions of the buildings even when only part of the Project is destroyed by an insured hazard.

6.6 Said multi-peril policy(ies) of hazard insurance shall be issued by an insurance carrier which (i) has a financial rating by Best's Insurance Reports of Class B/VI or Class V (provided it has a general policy holder's rating of at least A) or better and (ii) is authorized to transact business within the State of California.

6.7 The Board of Directors shall procure and keep in force a blanket fidelity bond in an amount equal to twenty-five percent (25%) of the Association's annual assessments plus reserves. Such bond shall name the Association as obligee and protect against misuse and misappropriation of Association property by members of the Board of Directors, officers and employees of the Association, any management agent and its employees whether or not such persons are compensated for their services. Premiums on such bond shall be paid as a common expense by the Association. Said bond shall include a provision that calls for ten (10) days' written notice to the Association before the bond can be cancelled or substantially modified for any reason. The same notice must be also given to each servicer that services any Mortgage in the Project owned by the Federal National Mortgage Association.

6.8 To the extent insurance is available, the Board of Directors shall procure and keep in force insurance in an amount up to Five Hundred Thousand Dollars (\$500,000.00) on behalf of any Director, Officer, or Member of a Committee of the Association (collectively referred to herein as the "Agent") against any liability asserted against or incurred by the Agent in such capacity or arising out of the Agent's status as such, regardless of whether the Association would have the power to indemnify the Agent against such liability under applicable law.

6.9 No Owner shall purchase a policy of insurance which duplicates, in any respect, insurance coverage already existing under the Association master policy. Any Owner who does procure insurance duplicating, in whole or in part, coverage existing under the Association policy, thereby breaching this provision, shall be liable to the Association for any loss or damage caused to the Association by such duplication.

ARTICLE 7

Annexation

7.1 Additional residential property may be annexed to the Project and to the Declaration upon the vote or written assent of

sixty-seven percent (67%) of the voting power of Members of the Association, excluding the vote of Declarant. Upon such approval, the Owner of the property wishing it to be annexed may file of record a Declaration of Annexation which shall extend the scheme of this Declaration to such property.

7.2 Lots 37 through 70 inclusive and 4 through 12 inclusive of Bernardo Heights units number 21 according to Map thereof No. 11115 filed in the office of the County Recorder of San Diego County on December 24, 1984, and any additional lots contiguous to the Project may be annexed as Lots to the Declaration and to the jurisdiction of the Association by Declarant without the consent of Members of the Association or the Board at any time within three (3) years following the original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a phase of the development of the Project, provided, however, that all Eligible Guarantors shall determine that the annexation is in accord with their general plan.

ARTICLE 8

Accounting; Right of Inspection

8.1 The Board of Directors shall maintain books of account of all its receipts and expenditures and shall cause such books to be examined annually as of the close of each fiscal year and a report to be made thereon to the Association. The Board of Directors shall deliver a copy of such report to the Owner of each Lot within one hundred twenty (120) days after the end of such year. Each Owner (or its duly appointed representative) and each first Mortgagee, Eligible Insurer and Eligible Guarantor shall be entitled at reasonable times to inspect the books and records of the Association, to have such books and records examined at said Owner's, first Mortgagee's, Eligible Insurer's or Eligible Guarantor's expense by an attorney or accountant representing such Owner, first Mortgagee, Eligible Insurer and Eligible Guarantor, and to make excerpts or copies of such books and records or portions thereof, and each such Owner (or its duly appointed representative), at his own expense, shall have the right, upon submission of a written request to the Board of Directors, to have such books and records independently audited by an accountant. In addition, upon submission of a written request to the Board of Directors, any first Mortgagee, Eligible Insurer or Eligible Guarantor shall be provided by the Board of Directors with (i) a copy of the report referred to above for the preceding fiscal year or (ii) if the report for such fiscal year is not in the form of an audited financial statement, an audited financial statement for such year to be prepared at the expense of the party requesting the same.

8.2 The original or a copy of this Declaration, the Articles, the Bylaws and any rules or regulations concerning the Project shall be available for inspection by Owners, first

Mortgagees, Eligible Insurers and Eligible Guarantors at the Association's principal place of business at all reasonable times during office hours.

ARTICLE 9

Scope; Enforcement

9.1 The limitations, restrictions, conditions and covenants set forth in this Declaration constitute a general scheme for (i) the maintenance, protection and enhancement of the value of the Project and all Lots, and (ii) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are imposed on each Lot for the benefit of every other Lot and the present and future Owners thereof. Said limitations, restrictions, condition and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be.

9.2 Notwithstanding the provisions to the contrary contained in the Article entitled "Amendment," at any time, twenty (20) years after the date of recordation of this Declaration, this Declaration and each and every limitation, restriction, condition and covenant contained herein may be terminated and extinguished upon execution and filing for record in the Office of the County Recorder of San Diego County, California, of a written instrument which (i) declares that the provisions of this Declaration are thereby terminated and extinguished, (ii) is signed and acknowledged by the Owners entitled to exercise sixty-seven percent (67%) of the total voting power of the Association, and (iii) bears, or has attached thereto, the consent of sixty-seven percent (67%) of all first Mortgagees (based upon one (1) vote for each first Mortgage owned) as of the time of recordation of said written instrument.

9.3 Breach of any of said limitations, restrictions, conditions or covenants (or the continuation thereof) may be enjoined, abated or remedied by appropriate legal proceedings by (i) the Association, (ii) any Owner, its heirs, devisees, executors, administrators, successors and assigns, or (iii) any Mortgagee, any of whom is herein referred to as an "Enforcing Person." Damages at law for any such breach, other than breach by failure to pay assessment(s), are hereby declared to be inadequate.

9.4 The result of or condition caused by a violation of any of said limitations, restrictions, conditions or covenants, other than the payment of assessment(s), is and shall be a nuisance, and every remedy in law or equity now or hereafter available against a public or private nuisance may be exercised by any Enforcing Person.

9.5 The failure of any Enforcing Person to enforce any of said limitations, restrictions, conditions or covenants shall not constitute a waiver of the right to enforce the same thereafter.

No liability shall be imposed on or incurred by any Enforcing Person as a result of such failure.

9.6 The prevailing party in any action at law or in equity instituted by an Enforcing Person(s) to enforce or interpret the limitations, restrictions, conditions or covenants contained herein shall be entitled to all costs incurred in connection therewith, including, but not limited to, court costs and reasonable attorneys' fees.

ARTICLE 10

Rights of Mortgagees; Eligible Mortgagees, Eligible Insurers and Eligible Guarantors

10.1 Any Owner may voluntarily or involuntarily encumber its Lot with or by a Mortgage or other instrument of hypothecation.

10.2 A breach of any of the foregoing limitations, restrictions, conditions or covenants (except as provided in this Article with respect to a breach by failure to pay any assessment) shall not defeat or render invalid the lien of any first Mortgage made in good faith and for value as to a Lot or any undivided interest therein; provided, however, such limitations, restrictions, conditions and covenants shall be binding upon and effective against any person whose title to said Lot is acquired by foreclosure, trustee's sale or otherwise.

10.3 Each and every lien created by or pursuant to this Declaration, including but not limited to, the assessment liens described in the Article entitled "Assessments" is and shall be subordinate, inferior and subject to the lien and charge of any (i) first Mortgage of record prior to the date of said assessment lien given for value and (ii) blanket construction (including acquisition) mortgage(s) or deed(s) of trust encumbering all or any part of the Project which mortgage(s) or deed(s) of trust may have been subordinated to this Declaration.

10.3.1 Any person who acquires title to any Lot by purchasing the same at a foreclosure or trustee's sale of a first Mortgage, shall take title to such Lot free of any (i) claims by or on behalf of the Association for unpaid assessments, charges and/or finds (if any) levied by the Association which accrue prior to the time such purchaser takes title to such Lot and (ii) assessment lien and/or other lien of the Association then encumbering any such Lot. Such unpaid assessments shall be reallocated among the Owners (other than said purchaser).

10.3.2 In the event any Mortgagee (i) shall acquire title to any Lot by judicial foreclosure, exercise of power or sale contained in any Mortgage or deed in lieu of foreclosure and (ii) shall thereafter sell and convey such Lot, any Mortgage received by such lender as security for all or a portion of the

purchase price of such Lot shall be incontrovertibly deemed "given for value." Notwithstanding the provisions of paragraph 10.3 above, any lien created by or pursuant to this Declaration, which lien arises from failure to pay assessment(s) accruing during the period of such Mortgagee's holding of title to said Lot, shall be a lien superior to the lien of said Mortgage received to secure a portion of said purchase price.

10.4 In the event of any breach or default hereunder by any Owner, and in the further event such breach or default is not cured within sixty (60) days after its occurrence, the Board of Directors shall immediately notify, in writing, any Eligible Mortgagee holding a first Mortgage on such Owner's Lot of said default; provided, however, failure to give such notice shall in nowise affect any right or remedy of any Enforcing Person under the Article entitled "Scope; Enforcement."

10.5 Each first Mortgagee shall advise the Association in writing of its address for the purpose of receiving any notice required or permitted hereunder. Any first Mortgagee may request in writing to be notified by the Association of any action which requires the prior approval of the first Mortgagees. Further, each first Mortgagee shall be entitled, upon request, to (i) receive notice of any and all meetings of the Association and (ii) designate a representative to attend such meetings on its behalf.

10.6 Any Eligible Mortgagee, Eligible Insurer or Eligible Guarantor shall be entitled to timely written notice of (i) any condemnation or casualty loss that affects either a material portion of the Project or the Lot securing its Mortgage, (ii) any sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of any Lot on which it holds the Mortgage, (iii) a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association, and (iv) any proposed action that requires the consent of a specified percentage of Mortgagees.

10.7 In the event there shall be any express or implied conflict between any provision of this Article and any other provision of this Declaration, the provisions of this Article shall govern and prevail.

ARTICLE 11

Amendment

11.1 This Declaration may be amended only by written instrument (or counterparts thereof) (i) signed and acknowledged (a) by the Owners entitled to exercise seventy-five percent (75%) of the total voting power in each of the two (2) voting classes of the Association, as provided in the Article of the Bylaws entitled "Voting Rights" or (b) upon cessation of one (1) of the two (2) voting classes, by the Owners entitled to exercise

seventy-five percent (75%) of the total voting power in the remaining voting class, provided that such signatures include the signatures of not less than a majority of Owners other than Declarant and (ii) filed for record in the Office of the County Recorder of San Diego County, California. Any written instrument amending this Declaration shall bear, or have attached thereto, the written consent of sixty-five percent (67%) of all first Mortgagees as of the time of recording such amendment (based upon one (1) vote for each first Mortgage owned) if such amendment would affect to any degree the rights, powers, privileges, interests or security of said first Mortgagees as set forth in the Articles hereof entitled "Definitions," "Destruction; Insurance," "Accounting; Right of Inspection," "Scope; Enforcement," and "Rights of Mortgagees, Eligible Mortgagees, Eligible Insurers and Eligible Guarantors."

11.2 Each such amendment to this instrument shall become effective only upon being filed for record as hereinabove provided and shall, from and after its effective date be as effective as this instrument as to all (i) the Lots, (ii) the Project, and (iii) the Owners (as of the effective date) and their successors in interest.

11.3 If any amendment is not considered as a material change (such as the correction of a technical error or the clarification of a statement), the amendment shall be deemed impliedly approved by any first Mortgagee who fails to submit a written response to any written proposal for an amendment within thirty (30) days after the proposal is made.

11.4 Anything contained in this Declaration to the contrary notwithstanding, neither the definitions of the terms "Community Association," "Community Articles," "Community Bylaws," "Community Declaration" and "Community Assessment," nor any of the provisions contained in the Article of this Declaration entitled "Community Association" may be amended, modified or rescinded (i) without the prior written consent of the Board of Directors of the Community Association and (ii) without the recording of said written consent in the Office of the County Recorder of San Diego County, California. In addition, any written instrument amending this Declaration shall bear, or have attached thereto, the written consent of such other persons as may be required by paragraph 6.1 of the Community Declaration.

ARTICLE 12

General Provisions

12.1 Declarant, or any successor in interest of Declarant's entire interest in the Project, shall have the absolute right to conduct a sales program within the Project, including, but not limited to, operating model units, maintaining a sales office and a construction office, displaying signs, flags and other sales material throughout the Project and otherwise conduct a sales

program until (i) five (5) years after the issuance by the California Department of Real Estate of a Final Subdivision Public Report with regard to the Project or (ii) until the sale and conveyance by Declarant of the last Lot in the Project, whichever shall first occur. Anything in the Article entitled "Amendment" to the contrary notwithstanding, this paragraph shall not be amended, modified or rescinded prior to the conveyance by Declarant of the last Lot without the (i) prior written consent of Declarant and (ii) recording of said written consent in the Office of the San Diego Recorder of San Diego County, California.

12.2 Notices required by the Declaration, or desired, to be given shall be conclusively deemed served (i) if personally served, at the time of such service, and (ii) if mailed, forty-eight (48) hours after deposit thereof in the United States mail, postage prepaid, addressed to the person(s) to whom such notice is to be given at the last known address of such person(s).

12.3 In the event any limitation, restriction, condition, covenant or provisions contained in this Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

12.4 In the event of litigation arising out of or in connection with this Declaration, the prevailing party shall be entitled to receive costs of suit and such sum for attorneys' fees as the court deems reasonable.

12.5 No provision of the Articles or the Bylaws, and no action of the Association, in violation or contravention of any provision of this Declaration shall be valid, subsisting or of any effect whatsoever.

12.6 The use herein of the neuter gender includes the masculine and the feminine genders, and the use herein of the singular number includes the plural, whenever the context so requires.

12.7 Captions in this Declaration are inserted for convenience of reference only and do not define, describe or limit the scope or the intent of this Declaration or any of the terms hereof.

12.8 All Exhibits, if any, referred to herein and attached hereto are a part hereof.

12.9 This Declaration and every provision hereof shall be construed to facilitate the operation of the Project.

BYLAWS OF
 BERNARDO VISTA AT BERNARDO HEIGHTS
 ASSOCIATION, INC.

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BYLAWS
OF
BERNARDO VISTA AT BERNADO HEIGHTS
ASSOCIATION, INC.

ARTICLE 1 - Definitions

1.1 Articles.

1.1.1 "Articles" shall mean the Articles of Incorporation of the Association as such Articles of Incorporation may from time to time be amended.

1.2 Association.

1.2.1 "Association" shall mean the BERNARDO VISTA AT BERNARDO HEIGHTS Association, Inc., a California nonprofit mutual benefit corporation, formed and maintained pursuant to the California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code §§ 7110, et seq.), composed of the Owners as defined hereinbelow.

1.3 Board of Directors.

1.3.1 "Board of Directors" shall mean the Board of Directors of the Association.

1.4 Bylaws.

1.4.1 "Bylaws" shall mean this instrument as the same may from time to time be amended.

1.5 Declarant.

1.5.1 "Declarant" shall mean (i) The Sunland Housing Group, Inc., a California Corporation, which constitutes the Declarant under the Declaration (defined below) and (ii) any successor in interest of The Sunland Housing Group to whom all or any of the rights of Declarant under the Articles, Declaration and these Bylaws have been transferred and who is (a) a grantee under a deed executed and delivered prior to the conveyance of the first Lot (defined below) which conveys the entire Project (defined below) or (b) a grantee under a deed conveying two (2) or more Lots. Notwithstanding the provisions of the Article hereof entitled "Amendments to Bylaws" to the contrary, this paragraph may not be amended without the approval of Declarant.

1.6 Declaration.

1.6.1 "Declaration" shall mean that certain Declaration of Restrictions recorded _____, 1986, File/Page No. _____, Official Records of San Diego County, California, as such Declaration of Restrictions may from time to time be amended.

1.7 Lots; Lot.

1.7.1 "Lots" shall mean all of Lots 4 through 70, inclusive, as more particularly described in the Declaration; "Lot" shall mean any one of the Lots.

1.8 Member.

1.8.1 "Member" shall mean an Owner, as defined hereinbelow, entitled to membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot.

1.9 Owner.

1.9.1 "Owner" shall mean Declarant prior to the first conveyance of a Lot and thereafter, shall mean the person(s) who hold(s) record title to any Lot, including Declarant for as long as Declarant holds title to a Lot.

1.10 Project.

1.10.1 "Project" shall mean the Bernardo Vista at Bernardo Heights Planned Development, encompassing the Lots.

ARTICLE 2 - Functions of the Association

2.1 Purpose.

2.1.1 The Association shall act as a "management body" for the management, preservation, and improvement of the Project. The Association is subject to the limitations, covenants, conditions, restrictions, terms and provisions of the Declaration.

2.2 Assessments.

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

ARTICLE 3 - Membership

3.1 Members.

3.1.1 The Association shall have one (1) class of Members only, and the property and other rights, interests and privileges of each Member in good standing shall be equal; except that there shall be two (2) classes of Members for the purposes of voting as set forth in Article 5 hereof. No Owner shall hold more than one (1) membership in the Association. No certificate of membership, identity card or other document evidencing membership in the Association shall be issued except by resolution of the Board of Directors and in conformance with California Corporations Code sections 7313 and 7314.

3.2 Transfer of Membership.

3.2.1 Each Owner shall be and become a Member of the Association contemporaneously with its acquisition of a Lot (whether such acquisition occurs by (i) conveyance of a Lot by Declarant, (ii) voluntary transfer, assignment or conveyance of a Lot, (iii) involuntary transfer of a Lot, including without limitation by reason of the death of an Owner, or (iv) foreclosure [by trustee's power of sale or by judicial process] of a deed of trust or other lien on a Lot), without necessity of documentation or other action, of any kind, by any person. The Association may require that any person acquiring a Lot shall notify the Association in writing of such acquisition so as to facilitate accurate record keeping of the membership. When two (2) or more persons hold, as joint tenants or otherwise, a Lot, they shall constitute a single Member. Prior to the conveyance of a Lot by Declarant, Declarant shall be a Member as to such Lot. Transfer of membership in the Association shall be only by the above-specified means.

3.2.2 The Association shall, within a reasonable time after the Association is first notified of a proposed transfer and before the membership is transferred on the books and records of the Association, give notice to the transferee that a copy of restrictions upon the transferability of membership is on file with the secretary of the Association and is open for inspection by a Member on the same basis as the records of the Association.

ARTICLE 4 - Meetings of Members

4.1 Place of Meetings.

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

4.2. Annual (Regular) Meetings.

4.2.1 A regular meeting of Members shall be held annually. The first annual meeting of Members shall be held on such date and at such time as shall be designated by the Board of Directors, which date shall be within forty-five (45) days after the sale and conveyance by Declarant of a majority of the Lots in the Project, but in no event later than six (6) months after the sale and conveyance by Declarant of the first Lot in the Project. Subsequent annual meetings of Members shall be held on the anniversaries of the first annual meeting of Members and shall be held at such time and in such place as may be designated by the Board of Directors. If the date of the annual meeting as so determined is a legal holiday, then the meeting shall be held on the next-succeeding regular business day, at the same hour.

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

4.3 Special Meetings.

4.3.1 Special meetings of Members, for any lawful purpose or purposes whatsoever, shall be called by the Board of Directors upon (i) the vote for such a meeting by a majority of a quorum of the Board of Directors or (ii) receipt by the Board of Directors of a written request for such a meeting signed by Members representing at least five percent (5%) of the total voting power of the Association.

4.3.2 Notwithstanding the provisions of paragraph 4.4.1 to the contrary, whenever a special meeting of Members is called by Members representing at least five percent (5%) of the total voting power of the Association, upon request in writing signed by Members entitled to call a meeting of Members and delivered by first class, registered or certified mail to the Board of Directors at the principal office of the Association, or delivered to the Board of Directors in person, it shall be the duty of the Board of Directors forthwith to cause notice to be given to the members that a meeting will be held at a time fixed by the Board of Directors not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request. If said notice is not given within twenty (20) days after receipt of the request, the Members entitled to call the meeting may fix the date and time of the meeting and give notice thereof in the manner provided by these Bylaws. The date of any meeting fixed by Members as hereinabove provided shall be at such time in the future as will permit adherence to the notice requirements set forth in paragraph 4.4.

4.4 Notice of Meetings.

4.4.1 Written notice for meetings called by the Board of Directors, whether annual or special, shall be given to Members

who are entitled to vote at such meetings not less than ten (10) days nor more than ninety (90) days before the date of such meeting; provided, however, that, if notice is given by mail and the notice is not mailed by first-class, registered or certified mail, notice shall be given not less than twenty (20) days before the meeting. Notice of any meeting of Members, whether annual or special and whether called by the Board of Directors or by Members entitled to call a meeting of Members, shall specify the place, the date and time of the meeting and (i) in case of a special meeting, the general nature of the business to be transacted or (ii) in the case of an annual meeting, those matters which the Board of Directors, at the time notice is given, intends to present for action by the Members; provided, however, notwithstanding the foregoing, any proper matter may be presented for action by the members at an annual meeting. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees for election to the Board of Directors at the time notice is given to Members.

4.4.2 Notices of meetings, whether annual or special, shall be given by the Board of Directors, or in the case of neglect or refusal by the Board of Directors, by any officer, director or Member. All notices shall be given either personally or by mail sent to the address of each Member appearing on the books of the Association or to the address supplied by it to the Association for the purpose of receiving notice. A notice mailed or delivered as part of a newsletter, magazine or other circular regularly sent to Members shall constitute written notice when addressed and mailed or delivered to the Member or, in the case of Members who are residents of the same household and who have the same address on the books of the Association, when addressed and mailed or delivered to one (1) of such Members, at the address appearing on the books of the Association.

4.4.3 When a Members' meeting, either annual or special, is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting which is adjourned. A meeting adjourned for lack of quorum by those in attendance shall be set for a date not less than five (5) days nor more than thirty (30) days from the original meeting date. If (i) a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, (ii) for any reason a new date is fixed for the adjourned meeting after adjournment or (iii) the adjournment is for more than thirty (30) days, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings. At the adjourned meeting the Association may transact any business which might have been transacted at the original meeting.

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

4.5.1 The transactions of any meeting of Members, whether annual or special, however called and noticed, shall be valid as though having occurred at a meeting duly held after regular call

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

4.6 Action by Written Ballot.

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

4.6.2 Ballots shall be solicited in a manner consistent with the requirements of paragraph 4.4.2. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

4.7 Quorum.

4.7.1 The presence in person or by proxy of Members entitled to exercise a majority of the voting power of the Association shall constitute a quorum at all meetings of Members for the transaction of business thereat. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum,

provided any action taken (other than adjournment) is approved by at least a majority of the number of Members required to constitute a quorum.

4.7.2 In the absence of a quorum at the commencement of any meeting of Members, the Members entitled to vote thereat, present in person or by proxy, shall have the power, by the vote of a majority of the votes represented, to adjourn the meeting from time to time until the requisite number of Members shall be present or represented, but no other business may be transacted; provided, however, that any such adjournment shall be to a date not less than five (5) and not more than thirty (30) days from the date of the originally scheduled meeting. At such adjourned meeting the quorum requirement shall be reduced to the presence in person or by proxy of Members entitled to exercise thirty-three and one third percent (33-1/3%) of the voting power of the Association. If the requisite number of Members constituting the reduced quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

ARTICLE 5 - Voting Rights

5.1 Members' Right to Vote.

5.1.1 Only persons who are Members of the Association shall be entitled to vote at a meeting of Members.

5.2 Classes of Voting Members.

5.2.1 Members shall be divided into two (2) classes for the purposes of voting, Class A and Class B. Class A Member(s) shall be all Owners except Declarant and said Class A Member(s) shall be entitled to one (1) vote for each Lot owned. The lone Class B Member shall be Declarant, who shall be entitled to three (3) votes for each Lot owned. Declarant's Class B voting status shall cease and convert to Class A voting status on the earlier occurrence of one of the following: (i) when the total votes outstanding in Class A equal the total votes outstanding in Class B or (ii) on that certain date which is two (2) years after the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for the Project. If record title to a Lot is held in the name of more than one (1) person, such persons shall collectively constitute a single Member and there shall be only one (1) vote attributable to such Member (unless such Member is Declarant, in which case such Member shall have the number of votes attributable to Declarant as set forth in this paragraph). Each of such persons collectively constituting a single Member shall otherwise be individually entitled to the benefits of membership in the Association. The manner of casting and counting such vote shall be controlled by the provisions of the paragraph of these Bylaws entitled "Voting Rights; Required Vote; Cumulative Voting."

5.3 Voting Rights; Required Vote; Cumulative Voting.

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

5.3.2 When a quorum is present at any regular or special meeting of Members, the affirmative vote of a majority of the Members of each voting class of the Association present at such meeting shall be required for Members to transact any business thereat, except as may be otherwise provided in these Bylaws, the Articles or the Declaration.

5.3.3 Every Member entitled to vote at any election of directors of the Association may cumulate its 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 it is entitled, or distribute its votes on the same principle among as many candidates as it may desire. Cumulative voting shall be required in all elections in which more than two (2) positions on the Board of Directors are to be filled. Notwithstanding the foregoing, no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected directors of the Association.

5.3.4 For as long as (i) a majority of the voting power of the Association resides in Declarant or (ii) there are two (2) outstanding classes of Members for the purpose of voting as set forth in Article 5 hereof, Declarant shall not be entitled to vote in the election of one director or twenty percent (20%) of the directors to be elected, whichever is greater.

5.3.5 If a membership stands of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two (2) or more persons (including proxy holders) have the same fiduciary relationship respecting the same membership, unless the secretary of the Association is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one (1) votes, such act binds all, or (ii) if more than one (1) vote, the act of the majority so voting binds all.

5.4 Proxies.

5.4.1 Every Member entitled to vote or to authorize action may do so either in person or by one or more agents authorized by

a written proxy executed by such Member and filed with the secretary of the Association. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this paragraph. Such revocation may be effected by a writing delivered to the Association stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting or, as to any meeting, by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution.

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

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

ARTICLE 6 - Directors; Management

6.1 General Powers.

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

6.2 Specific Powers.

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

(i) To adopt regulations not inconsistent with the provisions of the Declaration and these Bylaws.

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

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

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

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

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

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

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

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

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

(xi) To make available to any Owner, any first mortgagee, and the holders, insurers and guarantors of a first mortgage or deed of trust on any Lot, current copies of the Articles, Bylaws, Declaration, rules governing the Project, and other books, records and financial statements of the Association. The Board of Directors shall make the aforementioned documents available for inspection, upon request, during normal business hours or under other reasonable circumstances.

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

(xiii) To suspend temporarily the voting privileges of an Owner, for default in the payment of any regular or special assessment levied by the Association pursuant to the Declaration, or for violating any regulations adopted by or established by the Board of Directors or for breaching any provision of the Declaration, the Articles or these Bylaws. Any suspension must be done in good faith and in a fair and reasonable manner. The Member must be given fifteen (15) days' prior notice of the suspension. Notice must set forth reasons for the suspension and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Member shown on the Association's records. The Member must be provided an opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of the suspension by a properly convened meeting of the Board of Directors.

(xiv) To impose a reasonable monetary fine(s), if provided for in the Declaration or these Bylaws, upon an Owner for any breach of any of (a) the limitations, restrictions, conditions or covenants set forth in the Declaration (other than a breach by failure to pay an assessment(s)), (b) the provisions of the Articles or these Bylaws or (c) the rules and regulations adopted by the Board of Directors pursuant to the Declaration, the Articles or these Bylaws. The imposition of such fine(s) must be done in good faith and in a fair and reasonable manner. The Member must be given fifteen (15) days' prior notice of the imposition of a fine(s). Notice must set forth reasons for the imposition of a fine(s) and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Member shown on the Association's records. The Member must be provided an opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of the imposition of a fine(s) by a properly convened meeting of the Board of Directors.

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

6.2.3 Any contract entered into, or instrument executed, by any two (2) or more directors pursuant to resolution of the Board of Directors shall be (i) valid and subsisting according to the

tenor of such contract or instrument and (ii) a charge upon all cash, bank accounts and other personal property under the control of the Board of Directors. So long as it acts within the scope of its authority as a director, no director shall have any personal liability under any such contract or instrument; however, the foregoing shall not be construed to relieve any director who is also an Owner from liability as such Owner.

6.2.4 Anything in this Article to the contrary notwithstanding, unless the Members have approved such action (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two (2) voting classes of the Association or (ii) upon cessation of one (1) of the two (2) voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant, the Board of Directors may not:

(i) Enter into a contract with a third person for materials and/or services benefiting the Association for a term in excess of one (1) year, except any:

(a) Management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

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

(c) Prepaid casualty and/or liability insurance policy which does not exceed three (3) years' duration provided that such policy permits for short rate cancellation by the insured; and

(d) Lease agreement for laundry fixtures and equipment not to exceed five (5) year's duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect interest of ten percent (10%) or more.

(ii) Incur aggregate expenditures for capital improvements to the Project in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for such fiscal year;

(iii) Sell, during any fiscal year of the Association, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

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

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

6.2.5 Anything contained in this paragraph 6.2 to the contrary notwithstanding, the Board of Directors shall not have the power to authorize or approve any contract for the professional management of the Project, or any contract providing for the services of Declarant, which (i) does not permit the Association to terminate (a) for cause on thirty (30) days' written notice and (b) without cause, or payment of a termination fee, on ninety (90) days' or less written notice and/or (ii) has a term greater than three (3) years. Except as provided herein, no contract with the Association negotiated by Declarant shall exceed a term of one (1) year.

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

6.3 Number.

6.3.1 The authorized number of directors of the Association shall be three (3) until changed by an amendment to this paragraph of these Bylaws.

6.4 Election and Tenure of Office.

6.4.1 The Board of Directors shall be elected by secret and written ballot at the annual meeting of Members, to serve for one (1) year and until their successors are elected and have qualified or until their earlier resignation or removal. The term of office for directors shall begin immediately after their election.

6.4.2 In advance of any meeting of Members, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of Members may, and on the request of any Member or a Member's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting at the request of one (1) or more Members or proxies, the majority of Members represented in person or by proxy shall determine whether one (1) or three (3) inspectors are to be appointed. If there are three (3) inspectors of election, the decision of a majority of the inspectors of election shall govern in all respects as to the matters before them. The inspectors of

election shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all Members.

6.5 Vacancies.

6.5.1 A vacancy or vacancies shall be deemed to exist in any of the following instances: (i) the death, resignation or removal of any director, (ii) the authorized number of directors shall be increased by amendment to these Bylaws and the Members shall fail to elect the additional director(s), (iii) Members shall fail at any time to elect the full number of authorized directors, or (iv) any director shall fail to qualify to serve in the office within thirty (30) days after notice of its election. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by a final order of court or convicted of a felony.

6.5.2 Vacancies in the Board of Directors may be filled by a majority of the remaining directors, whether or not less than a quorum, or by a sole remaining director; provided, however, that vacancies in the Board of Directors resulting from the removal of directors may only be filled by a vote of the Members as provided in the Article heretofore entitled "Voting Rights." Each director so elected shall hold office until its successor is elected at an annual, regular or special meeting of Members or until its earlier resignation or removal.

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

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

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

6.6. Removal of Directors.

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

6.6.2 Notwithstanding the foregoing, a director who, pursuant to paragraph 5.3 hereof, has been elected solely by the votes of Members other than Declarant may be removed from office prior to expiration of its term of office only by the vote of at least a majority of the voting power residing in Members other than Declarant.

6.7 Place of Meetings.

6.7.1 Meetings of the Board of Directors shall be held within the Project.

6.8 Organizational Meetings; Notice.

6.8.1 Annual organizational meetings of the Board of Directors shall be held immediately following the adjournment of the annual meetings of Members or at such other date, time and place as the Board of Directors may designate by resolution. No notice of organizational meetings need be given to directors except that written notice setting forth the date, time and place of said meeting shall be posted at a prominent place (or places) within the Project at least four (4) days prior to the scheduled date of said meeting.

6.9 Other Regular Meetings; Notice.

6.9.1 Regular meetings of the Board of Directors, other than the annual organizational meeting, shall be held at such date, time and place within the Project as may be agreed upon from time to time by the Board of Directors except that said meetings shall be held at least every six (6) months if business to be transacted by the Board of Directors does not justify more frequent meetings; or may be called at any time by the chairman of the Board of Directors or the president, any vice president, secretary or by any two (2) directors of the Association. If said date shall fall upon a holiday such meeting shall be held on the next succeeding business day thereafter.

6.9.2 Notice of the date, time and place of a regular meeting shall be given to each of the members of the Board of Directors at least four (4) days before such meeting by (i) telephone, (ii) telegraph, (iii) written notice personally delivered or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Association or, if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Written notice of the resolution, if any, establishing a date of the month, the time and place of a regular meeting shall also be given to each director. Notices of the date, time and place of a regular meeting shall also be posted at a prominent place (or places) within the Project at least four (4) days before the date of the meeting.

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

6.10 Special Meetings; Notice.

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

6.10.2 Notice of the date, time and place of a special meeting shall be given to each of the members of the Board of Directors by (i) telephone, (ii) telegraph, (iii) written notice personally delivered, or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Association or if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Such notice of a special meeting shall set forth the general nature of the business to be considered thereat. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the date of the holding of the meeting. In case such notice is delivered personally or by telephone or telegraph, it shall be so delivered at least seventy-two (72) hours prior to the date of the holding of the meeting. Such mailing, telephoning, telegraphing or personal delivery shall be due, legal and proper notice to such director.

6.10.3 Notice of a special meeting need not be given to any director who signed a waiver of notice or a written consent to holding of the meeting, whether before or after the meeting, or who attend the meeting without protesting prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents or approvals shall be filed with the

Association records or made a part of the minutes of the meetings.

6.10.4 Written notice of every special meeting of the Board of Directors, specifying the date, time and place of the meeting and the general nature of the business to be considered, shall be posted at a prominent place (or places) within the Project at least seventy-two (72) hours prior to the scheduled time of such meeting.

6.11 Adjournment.

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

6.12 Quorum; Required Vote.

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

6.13 Open Meetings; Executive Sessions.

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

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

6.14 Action by Unanimous Written Consent.

6.14.1 Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of the directors.

6.14.2 If the Board of Directors takes action by unanimous written consent as provided in paragraph 6.14.1 above, an explanation of such action shall be posted at a prominent place or places within the Project within three (3) days after all of the written consent of the directors have been received by the secretary of the Association.

ARTICLE 7 - Officers

7.1 Officers.

7.1.1 The officers of the Association shall be a president, vice president, secretary and chief financial officer. The Association may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors, one (1) or more additional vice presidents, one (1) or more assistant secretaries, one (1) or more assistant chief financial officers, and such other officers as may be appointed in accordance with the provisions of paragraph 7.3. Any two (2) or more offices, except those of president and secretary, may be held by the same person.

7.2 Appointment.

7.2.1 Each officer of the Association, except such officers as may be appointed in accordance with the provisions of paragraphs 7.3 or 7.5 shall be chosen annually by the Board of Directors, and shall hold office until a successor shall be appointed or until the earlier resignation, removal or disqualification of such officer.

7.3 Subordinate Officers.

7.3.1 The Board of Directors may at any time appoint, or may designate an officer to appoint, such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

7.4 Removal and Resignation.

7.4.1 Any officer may be removed, either with or without

cause, by the Board of Directors; and additionally, any subordinate officers not appointed by the Board of Directors may be removed by any officer upon whom such power of removal has been conferred by the Board of Directors.

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

7.5 Vacancies.

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

7.6 Chairman of the Board.

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

7.7 President.

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

7.8 Vice President(s).

7.8.1 In the absence or disability of the president, the vice president or, if there is more than one (1) vice president, the vice presidents in order of their rank as fixed by the Board of Directors (or if not ranked, the vice president designated by the Board of Directors), shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon the president. The vice

president(s) so performing the duties of the president shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

7.9 Secretary and Assistant Secretary.

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

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

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

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

7.10 Chief Financial Officer and Assistant Chief Financial Officer.

7.10.1 The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses and surplus. The books of account shall at all reasonable times be open to inspection by any director.

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

the funds of the Association as may be ordered by the Board of Directors, shall render to the president and Board of Directors, whenever they request it, an account of all transactions by the chief financial officer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

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

7.10.4 The assistant chief financial officer, if there shall be such an officer or if there shall be more than one (1), the assistant chief financial officers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their appointment), shall, in the absence of the chief financial officer or in the event of the inability or refusal of the chief financial officer to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE 8 - Committees

8.1 Executive and Other Committees.

8.1.1 The Board of Directors may by resolution adopted by a majority of the number of directors then in office, provided that a quorum is present, create an Executive Committee, and such other committees as may be necessary from time to time, each consisting of two (2) or more directors and with such powers as it may designate, consistent with the Articles, these Bylaws and the laws of the State of California. Appointments to such committees shall be by a majority vote of the directors in office at the time of appointment. The Board of Directors may appoint one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Such committees shall hold office at the pleasure of the Board of Directors and need not be reappointed annually.

ARTICLE 9 - Association
Records and Reports; Inspection

9.1 Records.

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

9.2 Inspection of Books and Records.

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

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

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

9.3 Certification and Inspection of Bylaws.

9.3.1 The original or a copy of these Bylaws as amended or otherwise altered to date, certified by the secretary, shall be open to inspection by Members at the Association's principal office at all reasonable times during office hours.

9.4 Checks, Drafts, Etc.

9.4.1 All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

9.5 Contracts, Etc.; How Executed

9.5.1 The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or to any amount.

9.6 Annual Budget.

9.6.1 The Board of Directors shall cause a budget for each fiscal year to be regularly prepared and distributed to all Members, not less than forty-five (45) days prior to the beginning of each fiscal year of the Association, regardless of the number of Members or the amount of assets of the Association. The budget shall contain the following information: (i) the estimated revenue and expenses of the Association on an accrual basis; and (ii) the amount of the total cash reserves of the Association currently available for contingencies.

9.7 Initial Financial Report.

9.7.1 The Board of Directors shall cause to be prepared an initial financial report, which report shall include (i) a balance sheet as of an accounting date (the "Accounting Date") which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot in the Project; and (ii) an operating statement for the period from the date of the first closing to the Accounting Date, which operating statement shall include a schedule of assessments received and receivable itemized by the Lot number and by the name of the Member so assessed. The initial financial report shall be distributed to each Member within sixty (60) days from the Accounting Date.

9.8 Annual Report.

9.8.1 The Board of Directors shall cause to be prepared and distributed to all Members, within one hundred twenty (120) days after the close of each fiscal year, an annual report, which shall include: (i) a balance sheet as of the end of the fiscal year; (ii) an operating (income) statement for the fiscal year; (iii) a statement of changes in financial position for the fiscal year; (iv) any information required to be reported under Section 8322 of the California Corporations Code; (v) a statement of the place where the names and addresses of the current Members are located; and (vi) for any fiscal year in which the gross income to the Association (including all regular and special assessments levied upon all Members during the fiscal year) exceeds seventy-five thousand dollars (\$75,000.00), a copy of a review of the annual report prepared in accordance with generally accepted

accounting principles by a licensee of the California State Board of Accountancy. If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared from the books and records of the Association without independent audit or review. For any fiscal year in which the annual report is not prepared by an independent accountant, the statements prepared in connection with the annual report shall be prepared in conformity with generally accepted accounting principles, or some other basis of accounting which reasonably sets forth the assets and liabilities and the income and expenses of the Association and discloses the accounting basis used in the preparation. Upon written request of a Member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting Member.

9.9 Statement of Policies and Practices.

9.9.1 The Board of Directors shall cause to be distributed to all Members, within sixty (60) days prior to the beginning of each 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 Lots.

ARTICLE 10 - Corporate Seal

10.1 Description of Corporate Seal

10.1.1 The Association's corporate seal shall be circular in form, and shall have inscribed thereon the name of the Association, the date of its formation and the word "California."

ARTICLE 11 - Amendments to Bylaws

11.1 By Members.

11.1.1 New bylaws may be adopted or these Bylaws may be repealed or amended (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two (2) voting classes of the Association or (ii) upon cessation of one (1) of the two (2) voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant.

11.2 No Amendment by Board of Directors.

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

11.3 Record of Amendments.

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

ARTICLE 12 - Amendments to Articles

12.1 Amendments

12.1.1 Amendments to the Articles may only be adopted by a vote of a majority of the directors of the Association and (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two (2) voting classes of the Association or (ii) upon cessation of one (1) of the two (2) voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant.

12.2 Record of Amendments.

12.2.1 Amendments shall be reflected in the book containing the original Articles. Upon the adoption of an amendment, the secretary of the Association shall file a certificate of amendment or restated Articles of Incorporation pursuant to California Corporations Code sections 7814 and 7819.

ARTICLE 13 - Supremacy of Declaration

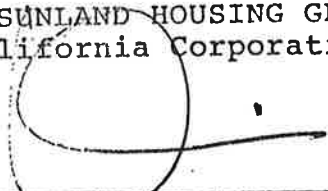
13.1 Supremacy

13.1.1 No provision of the Articles or of these Bylaws, and no action of the Association, in violation or contravention of any provision of the Declaration shall be valid, subsisting or of any effect whatsoever.

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

IN WITNESS WHEREOF, the undersigned has hereunto subscribed
its name this 28 day of May, 1986.

THE SUNLAND HOUSING GROUP, INC.,
a California Corporation

By: 
URE P. KRETOWICZ,
Chief Executive Officer

By: 
THOMAS P. DOBRON, President

BYLW/OA/BVBH
TMP1-5/86

DEPARTMENT OF REAL ESTATE
OF THE
STATE OF CALIFORNIA

(213) 620-2700

PLANNED DEVELOPMENT
FINAL SUBDIVISION
PUBLIC REPORT

In the matter of the application of
THE SUNLAND HOUSING GROUP, INC.,
a California Corporation

for a Final Subdivision Public Report on
BERNARDO HEIGHTS UNIT NO. 21
"BERNARDO VISTAS" Phase 3
SAN DIEGO COUNTY, CALIFORNIA

FILE NO.: 060370LA-FOO

ISSUED: DECEMBER 19, 1986

EXPIRES: DECEMBER 18, 1991

**THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE
SUBDIVISION BUT IS INFORMATIVE ONLY.**

BUYER OR LESSEE MUST SIGN THAT HE HAS RECEIVED AND READ THIS REPORT

N A copy of this subdivision public report along with a statement
O advising that a copy of the public report may be obtained from the
T owner, subdivider, or agent at any time, upon oral or written
E request, must be posted in a conspicuous place at any office where
sales or leases or offers to sell or lease lots within the
subdivision are regularly made.
[Reference B&P Code Section 11018.1(b)]

**This Report Expires on Date Shown Above. If There Has Been a Material
Change in the Offering, an Amended Public Report Must be Obtained and
Used in Lieu of This Report.**

Section 12920 of the California Government Code provides that the
practice of discrimination because of race, color, religion, sex,
marital status, national origin or ancestry in housing accommodations
is against public policy.

Under Section 125.6 of the California Business and Professions Code,
California real estate licensees are subject to disciplinary action by
the Real Estate Commissioner if they make any discrimination,
distinction or restriction in negotiating sale or lease of real
property because of the race, color, sex, religion, ancestry or
national origin of the prospective buyer. If any prospective buyer or
lessee believes that a licensee is guilty of such conduct, he or she
should contact the Department of Real Estate.

**Read the entire report on the following pages before contracting to
purchase a lot in this subdivision.**

RE Form 618
(Rev. 9/30/83)

COMMON INTEREST DEVELOPMENT GENERAL INFORMATION

The project described in the attached Subdivision Public Report is known as a common-interest development. Read the Public Report carefully for more information about the type of development. The development includes common areas and facilities which will be owned and/or operated by an owners' association. Purchase of a lot or unit automatically entitles and obligates you as a member of the association and, in most cases, includes a beneficial interest in the areas and facilities. Since membership in the association is mandatory, you should be aware of the following information before you purchase:

Your ownership in this development and your rights and remedies as a member of its association will be controlled by governing instruments which generally include a Declaration of Restrictions (also known as CC&R's), Articles of Incorporation (or association) and bylaws. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law. Study these documents carefully before entering into a contract to purchase a subdivision interest.

In order to provide funds for operation and maintenance of the common facilities, the association will levy assessments against your lot or unit. If you are delinquent in the payment of assessments, the association may enforce payment through court proceedings or your lot or unit may be liened and sold through the exercise of a power of sale. The anticipated income and expenses of the association, including the amount that you may expect to pay through assessments, are outlined in the proposed budget. Ask to see a copy of the budget if the subdivider has not already made it available for your examination.



A homeowner association provides a vehicle for the ownership and use of recreational and other common facilities which were designed to attract you to buy in this development. The association also provides a means to accomplish architectural control and to provide a base for homeowner interaction on a variety of issues. The purchaser of an interest in a common-interest development should contemplate active participation in the affairs of the association. He or she should be willing to serve on the board of directors or on committees created by the board. In short, "they" in a common interest development is "you". Unless you serve as a member of the governing board or on a committee appointed by the board, your control of the operation of the common areas and facilities is limited to your vote as a member of the association. There are actions that can be taken by the governing body without a vote of the members of the association which can have a significant impact upon the quality of life for association members.

Until there is a sufficient number of purchasers of lots or units in a common interest development to elect a majority of the governing body, it is likely that the subdivider will effectively control the affairs of the association. It is frequently necessary and equitable that the subdivider do so during the early stages of development. It is vitally important to the owners of individual subdivision interests that the transition from subdivider to resident-owner control be accomplished in an orderly manner and in a spirit of cooperation.

When contemplating the purchase of a dwelling in a common interest development, you should consider factors beyond the attractiveness of the dwelling units themselves. Study the governing instruments and give careful thought to whether you will be able to exist happily in an atmosphere of cooperative living where the interests of the group must be taken into account as well as the interests of the individual. Remember that managing a common interest development is very much like governing a small community . . . the management can serve you well, but you will have to work for its success. [B & P Code Section 11018.1(c)]

SPECIAL NOTES

1. IF YOU HAVE RECEIVED A PRELIMINARY PUBLIC REPORT FOR THIS SUBDIVISION, YOU ARE ADVISED TO CAREFULLY READ THIS FINAL PUBLIC REPORT SINCE IT CONTAINS INFORMATION THAT IS MORE CURRENT AND PROBABLY DIFFERENT THAN THAT INCLUDED IN THE PRELIMINARY REPORT.
2. THIS REPORT COVERS ONLY LOTS 4 THROUGH 12 AND 57 THROUGH 70.
3. THIS PROJECT IS A COMMON-INTEREST SUBDIVISION OF THE TYPE REFERRED TO AS A "PLANNED DEVELOPMENT". IT WILL BE OPERATED BY AN INCORPORATED OWNERS ASSOCIATION.
4. THE ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS AND OTHER PURPOSES. YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT MEETINGS.
5. SINCE THE COMMON PROPERTY AND FACILITIES WILL BE MAINTAINED BY AN ASSOCIATION OF HOMEOWNERS, IT IS ESSENTIAL THAT THIS ASSOCIATION BE FORMED EARLY AND PROPERLY. THE HOMEOWNER ASSOCIATION MUST HOLD THE FIRST ELECTION OF THE ASSOCIATION'S GOVERNING BODY WITHIN 45 DAYS AFTER 51% SELL OUT OF THE INTERESTS AUTHORIZED FOR SALE UNDER THE FIRST PUBLIC REPORT FOR THE SUBDIVISION; OR, IN ANY EVENT, NO LATER THAN SIX MONTHS AFTER CLOSING THE FIRST SALE (REGULATIONS 2792.17 AND 2792.19); AND PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT (REGULATION 2792.22).
6. SUBDIVIDER ESTIMATES ALL COMMON FACILITIES WILL BE COMPLETED BY APPROXIMATELY JULY, 1987.
7. THE SUBDIVIDER ADVISES THAT NO ESCROWS WILL CLOSE UNTIL ALL COMMON FACILITIES, IMPROVEMENTS, AND LANDSCAPING HAVE BEEN COMPLETED; A NOTICE OF COMPLETION HAS BEEN FILED AND ALL CLAIM OF LIENS HAS EXPIRED, OR A TITLE POLICY ISSUED TO THE ASSOCIATION AND EACH PURCHASER CONTAINING AN INDORSEMENT AGAINST ALL CLAIM OF LIENS. (SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE.)
8. THE SUBDIVIDER MUST PAY ALL THE MONTHLY ASSESSMENTS WHICH HE OWES TO THE HOMEOWNERS ASSOCIATION FOR UNSOLD LOTS -- THE PAYMENTS MUST COMMENCE ON THE FIRST DAY OF THE MONTH AFTER SUBDIVIDER CLOSES FIRST SALE. (REGULATIONS 2792.9 AND 2792.16.)

SPECIAL NOTES: (Continued)

9. THE SUBDIVIDER HAS STATED THAT HE WILL PROVIDE YOU WITH A COPY OF THE ARTICLES OF INCORPORATION, RESTRICTIONS, AND BYLAWS, BY POSTING THEM IN A PROMINENT LOCATION IN THE SALES OFFICE AND FURNISHING YOU COPIES PRIOR TO CLOSE OF ESCROW. THESE DOCUMENTS CONTAIN NUMEROUS MATERIAL PROVISIONS THAT SUBSTANTIALLY AFFECT AND CONTROL YOUR RIGHTS, PRIVILEGES, USE, OBLIGATIONS, AND COSTS OF MAINTENANCE AND OPERATION. YOU SHOULD READ AND UNDERSTAND THESE DOCUMENTS BEFORE YOU OBLIGATE YOURSELF TO PURCHASE A LOT.

10. THE SUBDIVIDER OF THIS PROJECT HAS INDICATED THAT HE INTENDS TO SELL ALL OF THE UNITS IN THIS PROJECT; HOWEVER, ANY OWNER, INCLUDING THE SUBDIVIDER, HAS A LEGAL RIGHT TO LEASE THE UNITS. PROSPECTIVE PURCHASERS SHOULD CONSIDER POSSIBLE EFFECTS ON THE DEVELOPMENT IF A SUBSTANTIAL PORTION OF THE UNITS BECOME RENTAL PROPERTIES.

11. IF YOU PURCHASE FIVE OR MORE SUBDIVISION INTERESTS (LOTS/UNITS, OR MEMBERSHIPS) FROM THE SUBDIVIDER, HE/SHE IS REQUIRED TO NOTIFY THE REAL ESTATE COMMISSIONER OF THE SALE. IF YOU INTEND TO SELL YOUR INTERESTS OR LEASE THEM FOR MORE THAN ONE YEAR, YOU ARE REQUIRED TO OBTAIN AN AMENDED SUBDIVISION PUBLIC REPORT BEFORE YOU CAN OFFER THEM FOR SALE OR LEASE.

12. **WARNING:** WHEN YOU SELL YOUR LOT TO SOMEONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE DECLARATION OF RESTRICTIONS, ARTICLES OF INCORPORATION, THE BYLAWS AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS' FEES OR OTHER CHARGES, PROVIDED BY THE CC&R'S OR OTHER MANAGEMENT DOCUMENTS ON THE LOT OR UNIT AS OF DATE THE STATEMENT WAS ISSUED.

NOTE: IF YOU FORGET TO DO THIS, IT MAY COST YOU A PENALTY OF \$500.00 -- PLUS ATTORNEY'S FEES AND DAMAGES (SEE CIVIL CODE SECTION 1368).

THE SUBDIVIDER MUST MAKE AVAILABLE TO YOU, COPIES OF THE ASSOCIATION GOVERNING INSTRUMENTS, A STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS AND RELATED CHARGES AS PROVIDED BY THE GOVERNING INSTRUMENTS AND, IF AVAILABLE, A CURRENT FINANCIAL AND RELATED STATEMENTS (SEE BUSINESS AND PROFESSIONS CODE 11018.6).

INTERESTS TO BE CONVEYED: You will receive fee title to a specified lot together with a membership in the "Bernardo Vista At Bernardo Heights Association" and rights to use the common area.

LOCATION AND SIZE: This subdivision is located at Avenida Venusto and Camino Del Norte within the city limits of San Diego and is serviced by the usual city utilities and services. Prospective purchasers should acquaint themselves with the kinds of city services available.

This is the third and final phase which consists of approximately 5.55 acres divided into 23 lots.

This phase is part of a total project which, if developed as proposed, will consist of a total of 3 phases and containing 67 lots within the overall projected development.

There is no assurance that the total project will be completed as proposed.

THE COMMUNITY OF BERNARDO HEIGHTS: This project, "Bernardo Vista At Bernardo Heights Association" is a portion of the overall project called Bernardo Heights. The concept of Bernardo Heights is to establish a master planned residential-oriented community which will have a number of distinct neighborhoods ranging in size from approximately 50 dwelling units to 300 dwelling units. There may be as many as 27 such neighborhood developments, with product types ranging from low density single family detached homes to zero lot line patio homes and medium density townhomes and condominiums. Approximately 3,600 units are planned with a projected population of 9,000. Project sell-out is anticipated over a 7-year period. Approximately 70% of the residential units will be attached forms of housing. Additionally, there are 2 commercial areas designated on the master plan as well as 2 church sites, 3 school sites, 2 major community recreational areas and private recreational facilities.

There is no assurance that the total project will be completed as proposed.

COMMUNITY ASSOCIATION RECREATIONAL FACILITIES: Each purchaser of a subdivision interest in Bernardo Heights will, together with his or her purchase, acquire the right to use (pursuant to the Declaration of Covenants, Conditions and Restrictions of the Community of Bernardo Heights (the "Community Declaration") the recreation facilities of the Community of Bernardo Heights.

Such recreational facilities will consist of (1) a recreation center which will include 4 tennis courts, a swimming pool, spa,

COMMUNITY ASSOCIATION RECREATIONAL FACILITIES: (Continued)

and clubhouse and (2) a neighborhood park with various recreational features including a jogging trail, picnic area and multi-use play fields. Pursuant to the provisions of the Community Declaration, the cost of maintaining such recreational facilities will be met through assessments which will be levied against all owners of subdivision interests within Bernardo Heights. Information on the amount of assessments attributable to subdivision interests within specific neighborhoods are available at the sales office for each neighborhood. Genstar Development, Inc., (Penasquitos Properties Division) has posted bonds in the amount of \$1,159,229.00 and \$310,000.00 in favor of the Community Association as security for its obligation to complete the development and construction of the above mentioned recreational facilities.

MANAGEMENT AND OPERATION: The "Bernardo Vista At Bernardo Heights Association", which you must join, manages and operates the common areas in accordance with the Restrictions, Articles of Incorporation and the Bylaws.

The overall management of the community will be undertaken by the community association established by the Community Declaration, Articles and Bylaws. Each of the neighborhood developments will have a neighborhood association whether it is a planned development (townhouse), condominium or single family detached project. The day to day maintenance responsibility for the individual neighborhood will be undertaken by the neighborhood associations. Some of the neighborhood association will be responsible for neighborhood common areas, maintenance and upkeep of the residences in the neighborhood (unless for the single family residential projects the developer determines that this should be left to the individual homeowners) the maintenance and operation of the neighborhood, recreational facilities and the enforcement of neighborhood rules and restrictions. The community association will have responsibilities for the community common areas, which areas will be specifically designated and conveyed to the community association, the community recreational facilities which each owner in the community will be entitled to use as an appurtenance to their membership in the neighborhood association, maintenance and control of community open space and community slope control areas which have been established for protection of the open areas in the community and the community pedestrian and bicycle circulation areas which have been designated as an intricate portion of the community.

The government of the community association will be established by the election of a community board. The community board will be elected from the owners of property within the community association by the presidents of the neighborhood associations, which

MANAGEMENT AND OPERATION: (Continued)

association shall constitute the membership of the community association. Because of the size of this overall community, it is not envisioned, except as set forth for specific specially held meetings, to have meetings of all of the potential 9,000 residents on any regular basis. There will be regular meetings at least annually of the presidents of the various neighborhood associations which presidents will act as electors and representatives of each member of their individual neighborhood project. By this representational government, each community owner will have a voice in the community association affairs and in the election of the community board. It is envisioned that at the outset the community board will consist of three members. As the project expands in size, the board will increase in size to 5 and then ultimately 7 members.

The Community Declaration provides for annexation procedures whereby additional property will be added subject to the regulations of the Department of Real Estate through the annexation process. The process envisions the filing of the usual Declarations of Annexation within time periods specified. Additionally, besides setting up the community association and specifying the membership rights, voting Declaration provides for establishing community funds and assessments. These assessments are established to pay the costs of the operation of the community association and are levied against all lots, units or parcels which have been annexed into the community at any given time. A reasonable subsidy arrangement will be established such that there will be no burden to those homeowners who buy into the project at its early stages. The community assessments will become a lien on all lots and parcels which are annexed into the property as they are assessed.

The Community Declaration then established certain rights regarding the community common area which will be owned by the community association and certain neighborhood restriction rights and duties which pertain to each of the residential neighborhood developments.

There are established as well, specific property rights and responsibilities for commercial areas and the merchant builder who acquires property for development. Additionally, there are provisions regarding an architectural committee to be established for the community association regarding all properties in the community and the usual provisions regarding damage, destruction and condemnation of the community and neighborhood common areas. Rights regarding mortgages and the developer are also included.

MAINTENANCE AND OPERATIONAL EXPENSES: The subdivider has submitted a budget for the maintenance and operation of the common areas and for long-term reserves. This budget was reviewed by

MAINTENANCE AND OPERATIONAL EXPENSES: (Continued)

the Department of Real Estate in September 1986. You should obtain a copy of this budget from the subdivider. Under this budget, the monthly assessment against each subdivision lot is \$11.76 of which \$3.80 is a monthly contribution to long-term reserves and is not to pay for current operating expenses.

COMMUNITY ASSESSMENTS: Each lot/unit in the subdivision constituting a part of the Community of Bernardo Heights development will be subject to assessments which will be levied against such lot/unit by the community association, in addition to the separate assessments which may be levied by the "Bernardo Vista At Bernardo Heights Association". The assessments which will be levied by the community association shall be used for the maintenance and management of the above mentioned community common area and community recreational facilities. Genstar has submitted a budget for such maintenance and management obligations of the community association. You should obtain a copy of the budget from the subdivider. Under this budget, each lot/unit will be subjected to a monthly assessment payable to the community association.

Under the built-out budget for the Bernardo Heights Community Association, the monthly assessment against each subdivision interest will be \$32.69. The association may or may not elect to use this budget when additional phases are annexed. Under the interim budget, the monthly assessment per unit will be \$51.04. Of these amounts, the monthly contributions toward long term reserves, which are not to be used to pay for current operating expenses are \$.48 and \$5.20 respectively.

The community association assessments will commence as to lots/units in the subdivision on the first day of the month following the closing of the first sale of a lot/unit in the subdivision. From that time on the subdivider is required to pay assessments to the community association for each lot/unit in the subdivision which it owns. The subdivider has posted a bond in favor of the Community Association as security for its obligations to pay such assessments to the community association. The board of directors of the community association should assure itself that the subdivider has satisfied its obligations to the community association with respect to the payment of assessments before agreeing to release or exonerate the security.

According to the subdivider, assessments under the interim budget should be sufficient for proper maintenance and operation of the common areas until the development is substantially completed at which time it may be anticipated that assessments will be adjusted.

COMMUNITY ASSESSMENTS: (Continued)

IF THE BUDGET FURNISHED TO YOU BY THE DEVELOPER SHOWS A MONTHLY ASSESSMENT FIGURE WHICH IS AT LEAST 20% MORE OR AT LEAST 10% LESS THAN THE ASSESSMENT AMOUNT SHOWN IN THIS FINAL SUBDIVISION PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE ENTERING INTO AN AGREEMENT TO PURCHASE.

The association may increase or decrease assessments at any time in accordance with the procedure prescribed in the CC&R's or Bylaws. In considering the advisability of a decrease (or a smaller increase) in assessments, care should be taken not to eliminate amounts attributable to reserves for replacement or major maintenance.

EXPENSES OF OPERATION ARE DIFFICULT TO PREDICT ACCURATELY AND EVEN IF ACCURATELY ESTIMATED INITIALLY, MOST EXPENSES INCREASE WITH THE AGE OF FACILITIES AND WITH INCREASES IN THE COSTS OF LIVING.

Monthly assessments will commence on all lots in this phase on the first day of the month following the closing of the first sale of a lot.

The remedies available to the association against owners who are delinquent in the payment of assessments are set forth in the CC&R's. These remedies are available against the subdivider as well as against other owners.

The subdivider has posted a bond as partial security for his obligation to pay these assessments. The governing body of the association should assure itself that the subdivider has satisfied his obligations to the association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

EASEMENTS: Easements for utilities, drainage, and other purposes are shown on the Title Report and Subdivision Map recorded in the Office of the San Diego County Recorder, as Map No. 11115 on December 24, 1984.

RESTRICTIONS: This subdivision is subject to Restrictions recorded in the Office of the San Diego County Recorder, on October 1, 1986 as File No. 86-438003 and Declaration of Annexation recorded November 25, 1986 as File No. 86-546303.

COMMUNITY RESTRICTIONS: This subdivision is part of the Community of Bernardo Heights which is subject to the Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo heights, (the "Community Declaration"), recorded in the office of the San Diego County Recorder September 30, 1980 as File No. 80-319018 and Declaration of Annexation recorded November 25, 1986 as File No. 86-546302. Each lot/unit in this subdivision will be subject to the Covenants, Conditions, and Restrictions contained in the Community Declaration. The subdivider will provide you with a copy of the Community Declaration; you should therefore read and understand the Community Declaration before you obligate yourself to purchase a lot/unit in this subdivision .

THE COMMUNITY ARCHITECTURAL COMMITTEE: The Community Declaration also provides for the review by an architectural committee (acting on behalf of the community association) of certain kinds of improvements which may be contemplated by an owner of a lot or unit in the Community of Bernardo Heights. Such review by the Community Architectural Committee is in addition to any review by an architectural committee acting on behalf of "Bernardo Vista At Bernardo Heights Association" which may have been provided for in the management documents for this subdivision.

FOR INFORMATION AS TO YOUR OBLIGATIONS AND RIGHTS, YOU SHOULD READ THE RESTRICTIONS. THE SUBDIVIDER SHOULD MAKE THEM AVAILABLE TO YOU.

TAXES: The maximum amount of any tax on real property that can be collected annually by counties is 1% of the full cash value of the property. With the addition of interest and redemption charges on indebtedness, approved by voters prior to July 1, 1978, the total property tax rate in most counties is approximately 1.25% of the full cash value. In some counties, the total tax rate could be well above 1.25% of the full cash value. For example, an issue of general obligation bonds previously approved by the voters and sold by a county water district, a sanitation district or other such district could increase the total tax.

For the purchaser of a lot or unit in this subdivision, the "full cash value" of the lot or unit will be the valuation, as reflected on the tax roll, determined by the county assessor as of the date of purchase of the lot or unit or as of the date of completion of an improvement on the lot if that occurs after the date of purchase.

PURCHASE MONEY HANDLING: The subdivider must impound all funds received from you in an escrow depository until legal title is delivered to you. (Refer to Sections 11013 and 11013.2(a) of the Business and Professions Code).

PURCHASE MONEY HANDLING: (Continued)

If the escrow has not closed on your lot within one (1) year of the date of your escrow opening, you may request return of your deposit.

NOTE: Section 2995 of the Civil Code provides that: "No real estate developer shall require as a condition precedent to the transfer of real property containing a single family residential dwelling that escrow services effectuating such transfer shall be provided by an escrow entity in which the developer . . . (owns or controls) 5% or more of the escrow entity."

The subdivider has no such interest in the escrow company which is to be used in connection with the sale or lease of lots in this subdivision.

FILLED GROUND: Some lots will contain filled ground. The information concerning filled ground and soil conditions is available at: City of San Diego, Office of the City Engineer, City Administration Building, 1222 First Avenue, San Diego, California.

SOILS CONDITIONS: A Soils Reports and Geologic Report are available at: City of San Diego, Office of the City Engineer, City Administration Building, 1222 First Avenue, San Diego, California.

For further information in regard to this subdivision, you may call (213) 620-2700 or examine the documents at the Department of Real Estate, 107 South Broadway, Suite 7111, Los Angeles, California 90012.

RECORDED REQUEST OF FIRST AMERICAN TITLE CO.

RECORDED IN
OFFICIAL RECORDS
OF SAN DIEGO COUNTY, CALIF.

Recording Requested By:
FIRST AMERICAN TITLE INS. CO.

VERA L. LYLE
COUNTY RECORDER

868292-6

When Recorded Mail To:
Genstar Development Inc.
Suite 340
La Jolla Eastgate Building
9404 Genesee Avenue
La Jolla, California 92037

RF 7
MG 1

274-891-05/06/07/08

) Space Above For Recorder's Use

DECLARATION OF ANNEXATION FOR THE
COMMUNITY OF BERNARDO HEIGHTS

GENSTAR DEVELOPMENT INC., a New York corporation ("Declarant"), makes this Declaration of Annexation and Supplemental Restrictions for the Community of Bernardo Heights on the terms and conditions herein stated:

RECITALS

Declarant makes this Declaration of Annexation based on the following facts and intentions:

A. Declarant is the owner of all that certain real property described in Exhibit 1, attached hereto, which real property is hereinafter called the "Annexation Property."

B. Declarant desires to annex the Annexation Property to the Community of Bernardo Heights pursuant to the provisions of the "Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights" filed in the Office of the County Recorder of San Diego County on September 30, 1980, File/Page No. 80-319018, as said Declaration has been, or may be,

amended; said Declaration, as so amended, shall hereinafter be referred to as the "Community Restrictions." By such annexation procedure, it is the intention of the Declarant that the covenants, conditions and restrictions of the Community Restrictions shall apply to the Annexation Property in the same manner as if it were originally covered by the Community Restrictions as a part of the Community. None of the provisions of this Declaration of Annexation shall in any event be construed as revoking, modifying or adding to the limitations, restrictions and covenants established by the Community Restrictions, nor shall it discriminate between owners of the Annexation Property and other owners of any other property within the Community, except as otherwise expressly provided in the Community Restrictions. No amendment, addition, change or deletion in this Declaration of Annexation shall be deemed to alter or change the general common plan or scheme created by the Community Restrictions nor affect the provisions thereof as covenants running with the land or as equitable servitudes to be uniformly applicable to all portions of the Community, including those portions added thereto by annexation.

1. ANNEXATION OF ANNEXATION PROPERTY: Therefore, Declarant hereby declares the following:

1.1 This Declaration of Annexation is issued in compliance with the Community Restrictions.

1.2 Upon the recordation of this Declaration of Annexation in the Office of the Recorder of the County of San Diego, the annexation of the Annexation Property shall be and become accomplished and all of the incidents of the annexation of said property, as set forth in the Community Restrictions, shall be in full force and effect.

2. APPLICATION OF COMMUNITY RESTRICTIONS: The terms and provisions of the covenants, conditions and restrictions of the Community Restrictions shall apply to the Annexation Property as if it were originally covered by the Community Restrictions as a part of the Community.

2.1 After this annexation, the Community Assessments established in Section 4.2 et seq., of the Community Restrictions shall be reassessed with the Annexation Property being assessed for a proportionate share of the total Community expenses on the same basis as other property in the Community.

2.2 In accordance with Section 4.6 of the Community Restrictions, the Regular Community Assessment shall commence as to all the Annexation Property upon the first day of the first month following the closing of the sale of the first dwelling unit in such Annexation Property to an owner other than Declarant or a merchant builder.

2.3 Upon annexation of the Annexation Property and formation of a neighborhood association for the Annexation Property, the president of such neighborhood association shall be entitled to participate in the election of the representatives to the Community Board pursuant to Section 3.5 of the Community Restrictions.

3. INTERPRETATION: Words, terms and phrases used herein and in the Community Restrictions shall have the meaning ascribed thereto in the Community Restrictions.

IN WITNESS WHEREOF, Declarant has executed this Declaration of Annexation at San Diego, California, on the 15th day of Sept., 1983.

GENSTAR DEVELOPMENT INC
a New York corporation

By [Signature]
Vice President

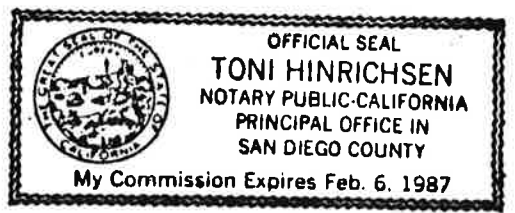
By [Signature]
Asst. Secretary

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN DIEGO)

On Sept. 15, 1983, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Robert B. McLeod, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Vice president, and Sabrina M. Weston, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Asst. secretary of GENSTAR DEVELOPMENT INC., a New York corporation, and acknowledged to me that they are the persons who executed the within instrument as Vice president and Asst. secretary on behalf of the corporation therein named and further acknowledged to me that the corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.

[Signature]
Notary Public in and for said
County and State



Lots 10 through 13, inclusive, of BERNARDO HEIGHTS UNIT NO. 10, in the City and County of San Diego, State of California, according to Map thereof No. 9857, recorded in the Office of the County Recorder of San Diego County on October 30, 1982.

Order No. 868292-6
Escrow No. D-868292
Loan No.

This instrument is certified to be a true and exact copy of that certain instrument recorded on ~~9-20-83~~ as File No. ~~83-335860~~ in the office of the County Recorder of San Diego County. FIRST AMERICAN TITLE INSURANCE & TRUST CO.

W. Adams

By Authorized Signature

WHEN RECORDED MAIL TO:

W AND W
c/o 1010 Turquoise Street
Suite 335
San Diego, Ca. 92109

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MAIL TAX STATEMENTS TO:

SAME AS ABOVE

DOCUMENTARY TRANSFER TAX \$ 5,082.00

XX Computed on the consideration or value of property conveyed; OR
Computed on the consideration or value less liens or encumbrances remaining at time of filing

W. Adams

Signature of Declarant or Agent determining tax - Firm Name
FIRST AMERICAN TITLE INSURANCE COMPANY

TAX PARCEL NOS: 274-891-05/06/07/08

CORPORATION GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

GENSTAR DEVELOPMENT INC.

a corporation organized under the laws of the State of New York, does hereby

GRANT to W AND W, a general partnership

the real property in the City of San Diego, County of San Diego, State of California, described as

Lots 10 through 13, inclusive of BERNARDO HEIGHTS UNIT NO. 10 in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 9857, filed in the Office of the County Recorder of San Diego County, October 30, 1980.

THIS CONVEYANCE IS MADE AND ACCEPTED AND SAID REALTY IS HEREBY GRANTED SUBJECT TO THE DECLARATION OF RESTRICTIONS RECORDED SEPTEMBER 30, 1980, FILE/PAGE NO. 80- 319018, OF OFFICIAL RECORDS AND ANY AMENDMENTS THERETO, AND SAID DECLARATIONS OF RESTRICTIONS IS HEREBY INCORPORATED BY REFERENCE INTO THE BODY OF THIS INSTRUMENT THE SAME AS THOUGH FULLY SET FORTH.

See the Attached Exhibit "A" attached hereto and made a part hereof for the "The Slope Easement".

See the Attached Exhibit "B" attached hereto and made a part hereof for "The 1468 Provisions".

Dated SEPTEMBER 8, 1983

STATE OF CALIFORNIA
COUNTY OF San Diego

On September 9, 1983, before me,
the undersigned, a Notary Public in and for said State, personally appeared
Robert B. McLeod

and LaDonna K. Clifton
personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as
Vice President and
Asst. Secretary,

on behalf of GENSTAR DEVELOPMENT INC.

the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal
Signature Toni Hinrichsen

GENSTAR DEVELOPMENT INC.
a New York Corporation

By Robert B. McLeod, Vice President

By LaDonna K. Clifton, Asst. Secretary



(This area for official notarial seal)

LCU2/106aa

An easement over, under, upon and across that portion of the Property conveyed hereby described below, for the purposes of (i) installing thereon such trees, shrubs, bushes, ground cover and other landscaping as Grantor or its assignee determines, (ii) constructing in and on the easement such irrigation pipes, conduits and other irrigation devices as Grantor or its assignee determines and (iii) maintaining, repairing, renovating and altering, as Grantor or its assignee determines, slopes and banks on the easement and said landscaping and said irrigation devices; further, Grantor reserves the right to transfer and assign this easement to the Community Association of Bernardo Heights, a California nonprofit mutual benefit corporation; upon such transfer and assignment the easement will be and become in gross easement. The portion of the Property conveyed by this grant deed affected by the easement is:

EXHIBIT "A"

LEGAL DESCRIPTION FOR MASTER SLOPE EASEMENT FOR BERNARDO HEIGHTS -
UNIT NO. 10.

THAT PORTION OF LOTS 10 AND 11 OF BERNARDO HEIGHTS - UNIT NO. 10 IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 9857 RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY ON OCTOBER 30, 1980, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF SAID LOT 10, SAID CORNER BEING A POINT ON A 1333.00 FOOT RADIUS CURVE CONCAVED SOUTHWESTERLY, A RADIAL TO SAID POINT BEARING NORTH 34°43'19" EAST; THENCE SOUTHEASTERLY ALONG SAID CURVE AND THE NORTHEASTERLY LINE OF SAID LOT 10, 37.00 FEET, THROUGH A CENTRAL ANGLE OF 1°35'25" TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 36°16'44" WEST, 20.00 FEET; THENCE SOUTH 27°33'18" EAST, 200.00 FEET; THENCE SOUTH 29°44'38" EAST; 247.96 FEET; THENCE SOUTH 10°54'56" WEST, 93.00 FEET; THENCE SOUTH 23°13'08" WEST, 255.00 FEET; THENCE SOUTH 19°51'18" WEST, 128.00 FEET TO A TANGENT, 140.00 FOOT RADIUS CURVE CONCAVED NORTHWESTERLY; THENCE SOUTHWESTERLY ALONG SAID CURVE 167.88 FEET, THROUGH A CENTRAL ANGLE OF 68°42'20" TO A COMPOUND, 60.00 FOOT RADIUS CURVE CONCAVED NORTHERLY; THENCE WESTERLY ALONG SAID CURVE 33.43 FEET, THROUGH A CENTRAL ANGLE OF 31°55'25" TO A REVERSE, 40.00 FOOT RADIUS CURVE CONCAVED SOUTHEASTERLY; THENCE SOUTHWESTERLY ALONG SAID CURVE, 50.87 FEET THROUGH A CENTRAL ANGLE OF 72°52'07" TO A POINT ON THE SOUTHERLY BOUNDARY OF SAID LOT 11, SAID POINT BEING ON A 60.00 FOOT RADIUS CURVE CONCAVED NORTHEASTERLY A RADIAL TO SAID POINT BEARS SOUTH 35°18'01" WEST; THENCE SOUTHEASTERLY ALONG SAID CURVE 12.52 FEET THROUGH A CENTRAL ANGLE OF 11°57'26", TO A COMPOUND, 1470.00 FOOT RADIUS CURVE CONCAVED NORTHEASTERLY; THENCE SOUTHEASTERLY ALONG SAID CURVE 218.69 FEET THROUGH A CENTRAL ANGLE OF 8°31'26" TO A COMPOUND, 20.00 FOOT RADIUS CURVE CONCAVED NORTHWESTERLY; THENCE NORTHEASTERLY ALONG SAID CURVE, 31.89 FEET, THROUGH A CENTRAL ANGLE OF 91°21'20" TO A REVERSE, 1149.00 FOOT RADIUS CURVE CONCAVED SOUTHEASTERLY; THENCE NORTHERLY AND NORTHEASTERLY ALONG SAID CURVE 654.51 FEET THROUGH A CENTRAL ANGLE OF 32°38'16" TO A REVERSE, 20.00 FOOT RADIUS CURVE CONCAVED WESTERLY; THENCE NORTHERLY AND NORTHWESTERLY ALONG SAID CURVE 29.93 FEET THROUGH A CENTRAL ANGLE OF 85°43'55"; THENCE NORTH 39°37'50" WEST, 253.47 FEET TO A TANGENT, 1333.00 FOOT RADIUS CURVE CONCAVED SOUTHWESTERLY; THENCE NORTHWESTERLY ALONG SAID CURVE 327.04 FEET, THROUGH A CENTRAL ANGLE OF 14°03'26" TO THE TRUE POINT OF BEGINNING.

EXHIBIT 1

PROVISIONS PURSUANT TO SECTION 1468
OF THE CALIFORNIA CIVIL CODE

BY THE DELIVERY AND ACCEPTANCE of this Grant Deed, Grantor and Grantee agree as follows:

1. Grantor is the owner of certain land ("the Benefited Land") in the City of San Diego, County of San Diego, State of California, more particularly described as follows:

Lot 5 of BERNARDO HEIGHTS UNIT NO. 4, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 9609 filed in the Office of the County Recorder of San Diego County on April 4, 1980.

2. Grantee for and on behalf of itself, and on behalf of each successive owner, during its, his, her or their ownership of any portion of the land herein granted by Grantor to Grantee ("the Affected Land") and each person having any interest in the Affected Land derived through any such owner, covenants and agrees as follows:

3. It (i) will construct, erect or place on the Affected Land only improvements that are substantially in conformity with plans, specifications and architectural renderings approved by Grantor in writing prior to the commencement of any such construction, erection or placement and (ii) will not deviate from such plans, specifications and architectural renderings in any substantial manner without having first obtained Grantor's written consent to such deviations. Grantor shall not be liable in damages to anyone submitting plans, specifications or architectural renderings to it for approval, or to any owner or lessee

of the Affected Land by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans, specifications or architectural renderings, or for any defect in any structure construed from such plans, specifications or architectural renderings. Such plans, specifications and architectural renderings will not be approved for engineering design. Every person who submits plans, specifications or architectural renderings to Grantor for approval agrees, by submission of such plans, specifications and architectural renderings, and every owner of any portion of the Affected Land agrees, by acquiring title thereto, that he, she or it will not bring any action or suit against Grantor to recover any such damages.

4. Monetary damages for the breach of the covenants contained in Paragraph 3 above are hereby declared to be inadequate and Grantee or Grantee's successor(s) may be enjoined by any court of competent jurisdiction from commencing or proceeding with the construction, erection or placement of any improvements on the Affected Land which are not substantially in accordance with the aforesaid plans, specifications and architectural renderings.

5. The covenants contained in Paragraph 3 shall automatically be and become of no further force or effect upon the recording of a notice of completion of improvements which have in fact been constructed in accordance with the aforesaid plans, specifications and architectural renderings.

6. Each successive owner, during its, his, her or their ownership, of any portion of the Affected Land, and each person having any interest in the Affected Land derived through any such owner, shall be bound hereby for the benefit of the Benefited Land.

7. Any violation of the covenants herein contained shall be deemed to be a continuing violation hereof and no delay in the delivery of any notice of any violation hereof or in the enforcement of any rights or the seeking of any remedies provided hereunder shall constitute, or be deemed to constitute, a waiver of the right to give such notice, enforce such right or seek such remedy at any time after the occurrence of such violation.

8. In the event any owner(s) of the Affected Land or the Benefited Land commences litigation for the judicial interpretation, enforcement or rescission hereof, the prevailing party shall be entitled to a judgment against the other for an amount equal to reasonable attorneys' fees and other costs incurred.

9. Grantor will, upon the completion by Grantee of all of Grantee's obligations under Paragraph 3, at the request of Grantee, sign and deliver to Grantee a recordable notice describing the Affected Land and stating that the purpose thereof is to evidence compliance with the covenants contained in this Addendum to this Grant Deed.

10. No breach of any of the terms or conditions of this Addendum shall defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value.

11. If any lender of Grantee shall request or require Grantor to do so, Grantor shall, within a reasonable time after such request, certify that improvements on the Premises are being constructed in conformity with the aforesaid plans, specifications and architectural renderings approved by Grantor, or Grantor will specify with reasonable specificity why such construction does not conform with such plans, specifications and architectural renderings.

12. Any approvals, notices, quitclaims or consents required or permitted under the terms hereof shall be conclusively deemed to have been given if and when given by Genstar Development Inc., a New York corporation (the Grantor hereunder and present owner of the Benefited Land), and shall be deemed conclusive and binding on any subsequent owners of, or other parties having any interest in, the Benefited Land, without the need for approval by such subsequent owners or parties.

13. The covenants herein contained are for the benefit of the Benefited Land and have been made with the intent of satisfying the requirements of Section 1468 of the California Civil Code.

14. In the event any term, covenant, condition, provision or agreement herein contained is held to be invalid, void or otherwise unenforceable by any court of competent jurisdiction, the invalidity of any such term, covenant, condition, provision or agreement shall in no way affect the validity of any other term, covenant, condition, provision or agreement herein contained.

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

Subdivider has transmitted herewith to Landmark Escrow Service Inc.
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 6,957.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as Bernardo Greens Phase 2,
(Name and/or Tract No.)

DRE File No. 057890LA F00, County of San Diego,
to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to The Community Association of Bernardo Heights.

ASSIGNMENT.

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
is the marketing plan) and (2) escrow depository has received a
certified copy of a resolution of the governing body of the owners
association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
which he is obligated.

In the event of a dispute between subdivider and the aforesaid
association with respect to the question of satisfaction of the
conditions for exoneration or release of the security, the issue or

s shall, at the request of either party, be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) before an arbitrator selected from the panels of the arbitrators of AAA. In the event of referral to arbitration, subdivider will remit the fee to initiate the arbitration. The parties agree, however, that the costs of arbitration shall ultimately be borne as determined by the arbitrator.

The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

GREAT AMERICAN FIRST SAVINGS BANK,
(Subdivider) a California corporation
By: GREAT AMERICAN ASSET MANAGEMENT CO.
BY: *Peter F. Bride*
(Title) PETER F. BRIDE, VICE PRESIDENT
600 B Street, San Diego, CA 92183
(Address)
(City and State)

Dated: OCTOBER 30, 1986

THE COMMUNITY ASSOCIATION OF
BERNARDO HEIGHTS
(Owner's Association)
By: *[Signature]*
PRESIDENT, Comm. Assoc. of Bernardo Heights
(Title)
16150 Bernardo Heights Parkway
(Address)
San Diego, CA 92128
(City and State)

Dated: 11/3/86

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

Landmark Escrow Service Inc.
(Escrow Depository)
By: *[Signature]*
Manager
(Title)
4420 Hotel Circle Court, Suite 130
(Address)
San Diego, California 92108
(City and State)

Dated: 10/30/86

FIRST AMENDMENT TO PURCHASE
AGREEMENT AND ESCROW INSTRUCTIONS

This First Amendment to Purchase Agreement and Escrow Instructions,
dated as of September 15, 1983, is between

Genstar Development Inc., a New York
Corporation ("Seller")

and

W and W, a California General Partnership
("Buyer"),

and constitutes a First Amendment to the Purchase Agreement and Escrow
Instructions for First American Title Insurance Company Escrow Number
D-868292.

ARTICLE I - SPECIFIC AMENDMENT

1.1 The purchase money deed of trust will encumber the
Property except Lots 13 and 12.

ARTICLE II - GENERAL PROVISIONS

2.1 Words and phrases defined in the Purchase Agreement and
Escrow Instructions have the same meaning in this Amendment.

2.2 This Amendment may be executed in counterparts.

2.3 The Purchase Agreement and Escrow Instructions as amended
by this Amendment are confirmed.

Genstar Development Inc., a New York
Corporation

By 
Robert B. McLeod, Vice President

By *LaDonna K. Clifton*
LaDonna K. Clifton, Assistant
Secretary

W and W, a California General
Partnership
By Richard L. Weiser, Inc., a
California corporation,
General Partner

By _____
Richard L. Weiser, President

By Walden Financial, Inc., a
California corporation,
General Partner

By _____
J. Brian O'Donnell, President

ACCEPTED:

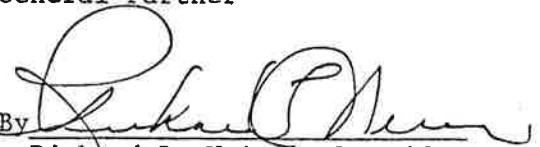
Date: *Sept 15, 1993*

First American Title Insurance Company,
a California corporation

By *[Signature]*
Escrow Officer

By _____
LaDonna K. Clifton, Assistant
Secretary

W and W, a California General
Partnership
By Richard L. Weiser, Inc., a
California corporation,
General Partner

By 
Richard L. Weiser, President

By Walden Financial, Inc., a
California corporation,
General Partner

By 
J. Brian O'Donnell, President

ACCEPTED:

Date: _____

First American Title Insurance Company,
a California corporation

By _____
Escrow Officer

RECORDED REQUEST OF FIRST AMERICAN TITLE CO.

RECORDED IN
OFFICIAL RECORDS
OF SAN DIEGO COUNTY, CA.

1983 SEP 20 PM 3:46

VERA L. LYLE
COUNTY RECORDER

Recording Requested By:)
FIRST AMERICAN TITLE INS. CO.)

868292-6)

When Recorded Mail To:)

Genstar Development Inc.)
Suite 340)
La Jolla Eastgate Building)
9404 Genesee Avenue)
La Jolla, California 92037)

274-891-05/06/07/08)

Space Above For Recorder's Use

RF	7
MG	1

DECLARATION OF ANNEXATION FOR THE
COMMUNITY OF BERNARDO HEIGHTS

GENSTAR DEVELOPMENT INC., a New York corporation ("Declarant"), makes this Declaration of Annexation and Supplemental Restrictions for the Community of Bernardo Heights on the terms and conditions herein stated:

RECITALS

Declarant makes this Declaration of Annexation based on the following facts and intentions:

A. Declarant is the owner of all that certain real property described in Exhibit 1, attached hereto, which real property is hereinafter called the "Annexation Property."

B. Declarant desires to annex the Annexation Property to the Community of Bernardo Heights pursuant to the provisions of the "Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights" filed in the Office of the County Recorder of San Diego County on September 30, 1980, File/Page No. 80-319018, as said Declaration has been, or may be,

amended; said Declaration, as so amended, shall hereinafter be referred to as the "Community Restrictions." By such annexation procedure, it is the intention of the Declarant that the covenants, conditions and restrictions of the Community Restrictions shall apply to the Annexation Property in the same manner as if it were originally covered by the Community Restrictions as a part of the Community. None of the provisions of this Declaration of Annexation shall in any event be construed as revoking, modifying or adding to the limitations, restrictions and covenants established by the Community Restrictions, nor shall it discriminate between owners of the Annexation Property and other owners of any other property within the Community, except as otherwise expressly provided in the Community Restrictions. No amendment, addition, change or deletion in this Declaration of Annexation shall be deemed to alter or change the general common plan or scheme created by the Community Restrictions nor affect the provisions thereof as covenants running with the land or as equitable servitudes to be uniformly applicable to all portions of the Community, including those portions added thereto by annexation.

1. ANNEXATION OF ANNEXATION PROPERTY: Therefore, Declarant hereby declares the following:

1.1 This Declaration of Annexation is issued in compliance with the Community Restrictions.

1.2 Upon the recordation of this Declaration of Annexation in the Office of the Recorder of the County of San Diego, the annexation of the Annexation Property shall be and become accomplished and all of the incidents of the annexation of said property, as set forth in the Community Restrictions, shall be in full force and effect.

2. APPLICATION OF COMMUNITY RESTRICTIONS: The terms and provisions of the covenants, conditions and restrictions of the Community Restrictions shall apply to the Annexation Property as if it were originally covered by the Community Restrictions as a part of the Community.

2.1 After this annexation, the Community Assessments established in Section 4.2 et seq., of the Community Restrictions shall be reassessed with the Annexation Property being assessed for a proportionate share of the total Community expenses on the same basis as other property in the Community.

2.2 In accordance with Section 4.6 of the Community Restrictions, the Regular Community Assessment shall commence as to all the Annexation Property upon the first day of the first month following the closing of the sale of the first dwelling unit in such Annexation Property to an owner other than Declarant or a merchant builder.

2.3 Upon annexation of the Annexation Property and formation of a neighborhood association for the Annexation Property, the president of such neighborhood association shall be entitled to participate in the election of the representatives to the Community Board pursuant to Section 3.5 of the Community Restrictions.

3. INTERPRETATION: Words, terms and phrases used herein and in the Community Restrictions shall have the meaning ascribed thereto in the Community Restrictions.

BYLAWS OF
 BERNARDO VISTA AT BERNARDO HEIGHTS
 ASSOCIATION

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BYLAWS
OF
BERNARDO VISTA AT BERNADO HEIGHTS
ASSOCIATION

ARTICLE 1 - Definitions

1.1 Articles.

1.1.1 "Articles" shall mean the Articles of Incorporation of the Association as such Articles of Incorporation may from time to time be amended.

1.2 Association.

1.2.1 "Association" shall mean the BERNARDO VISTA AT BERNARDO HEIGHTS Association, a California nonprofit mutual benefit corporation, formed and maintained pursuant to the California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code §§ 7110, et seq.), composed of the Owners as defined hereinbelow.

1.3 Board of Directors.

1.3.1 "Board of Directors" shall mean the Board of Directors of the Association.

1.4 Bylaws.

1.4.1 "Bylaws" shall mean this instrument as the same may from time to time be amended.

1.5 Declarant.

1.5.1 "Declarant" shall mean (i) The Sunland Housing Group, Inc., a California Corporation, which constitutes the Declarant under the Declaration (defined below) and (ii) any successor in interest of The Sunland Housing Group to whom all or any of the rights of Declarant under the Articles, Declaration and these Bylaws have been transferred and who is (a) a grantee under a deed executed and delivered prior to the conveyance of the first Lot (defined below) which conveys the entire Project (defined below) or (b) a grantee under a deed conveying two (2) or more Lots. Notwithstanding the provisions of the Article hereof entitled "Amendments to Bylaws" to the contrary, this paragraph may not be amended without the approval of Declarant.

1.6 Declaration.

1.6.1 "Declaration" shall mean that certain Declaration of Restrictions recorded October 1, 1986, File/Page No. 86-438003, Official Records of San Diego County, California, as such Declaration of Restrictions may from time to time be amended.

1.7 Lots; Lot.

1.7.1 "Lots" shall mean all of Lots 4 through 70, inclusive, as more particularly described in the Declaration; "Lot" shall mean any one of the Lots.

1.8 Member.

1.8.1 "Member" shall mean an Owner, as defined hereinbelow, entitled to membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot.

1.9 Owner.

1.9.1 "Owner" shall mean Declarant prior to the first conveyance of a Lot and thereafter, shall mean the person(s) who hold(s) record title to any Lot, including Declarant for as long as Declarant holds title to a Lot.

1.10 Project.

1.10.1 "Project" shall mean the Bernardo Vista at Bernardo Heights Planned Development, encompassing the Lots.

ARTICLE 2 - Functions of the Association

2.1 Purpose.

2.1.1 The Association shall act as a "management body" for the management, preservation, and improvement of the Project. The Association is subject to the limitations, covenants, conditions, restrictions, terms and provisions of the Declaration.

2.2 Assessments.

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

ARTICLE 3 - Membership

3.1 Members.

3.1.1 The Association shall have one (1) class of Members only, and the property and other rights, interests and privileges of each Member in good standing shall be equal; except that there shall be two (2) classes of Members for the purposes of voting as set forth in Article 5 hereof. No Owner shall hold more than one (1) membership in the Association. No certificate of membership, identity card or other document evidencing membership in the Association shall be issued except by resolution of the Board of Directors and in conformance with California Corporations Code sections 7313 and 7314.

3.2 Transfer of Membership.

3.2.1 Each Owner shall be and become a Member of the Association contemporaneously with its acquisition of a Lot (whether such acquisition occurs by (i) conveyance of a Lot by Declarant, (ii) voluntary transfer, assignment or conveyance of a Lot, (iii) involuntary transfer of a Lot, including without limitation by reason of the death of an Owner, or (iv) foreclosure [by trustee's power of sale or by judicial process] of a deed of trust or other lien on a Lot), without necessity of documentation or other action, of any kind, by any person. The Association may require that any person acquiring a Lot shall notify the Association in writing of such acquisition so as to facilitate accurate record keeping of the membership. When two (2) or more persons hold, as joint tenants or otherwise, a Lot, they shall constitute a single Member. Prior to the conveyance of a Lot by Declarant, Declarant shall be a Member as to such Lot. Transfer of membership in the Association shall be only by the above-specified means.

3.2.2 The Association shall, within a reasonable time after the Association is first notified of a proposed transfer and before the membership is transferred on the books and records of the Association, give notice to the transferee that a copy of restrictions upon the transferability of membership is on file with the secretary of the Association and is open for inspection by a Member on the same basis as the records of the Association.

ARTICLE 4 - Meetings of Members

4.1 Place of Meetings.

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

4.2 Annual (Regular) Meetings.

4.2.1 A regular meeting of Members shall be held annually. The first annual meeting of Members shall be held on such date and at such time as shall be designated by the Board of Directors, which date shall be within forty-five (45) days after the sale and conveyance by Declarant of a majority of the Lots in the Project, but in no event later than six (6) months after the sale and conveyance by Declarant of the first Lot in the Project. Subsequent annual meetings of Members shall be held on the anniversaries of the first annual meeting of Members and shall be held at such time and in such place as may be designated by the Board of Directors. If the date of the annual meeting as so determined is a legal holiday, then the meeting shall be held on the next-succeeding regular business day, at the same hour.

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

4.3 Special Meetings.

4.3.1 Special meetings of Members, for any lawful purpose or purposes whatsoever, shall be called by the Board of Directors upon (i) the vote for such a meeting by a majority of a quorum of the Board of Directors or (ii) receipt by the Board of Directors of a written request for such a meeting signed by Members representing at least five percent (5%) of the total voting power of the Association.

4.3.2 Notwithstanding the provisions of paragraph 4.4.1 to the contrary, whenever a special meeting of Members is called by Members representing at least five percent (5%) of the total voting power of the Association, upon request in writing signed by Members entitled to call a meeting of Members and delivered by first class, registered or certified mail to the Board of Directors at the principal office of the Association, or delivered to the Board of Directors in person, it shall be the duty of the Board of Directors forthwith to cause notice to be given to the members that a meeting will be held at a time fixed by the Board of Directors not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request. If said notice is not given within twenty (20) days after receipt of the request, the Members entitled to call the meeting may fix the date and time of the meeting and give notice thereof in the manner provided by these Bylaws. The date of any meeting fixed by Members as hereinabove provided shall be at such time in the future as will permit adherence to the notice requirements set forth in paragraph 4.4.

4.4 Notice of Meetings.

4.4.1 Written notice for meetings called by the Board of Directors, whether annual or special, shall be given to Members

who are entitled to vote at such meetings not less than ten (10) days nor more than ninety (90) days before the date of such meeting; provided, however, that, if notice is given by mail and the notice is not mailed by first-class, registered or certified mail, notice shall be given not less than twenty (20) days before the meeting. Notice of any meeting of Members, whether annual or special and whether called by the Board of Directors or by Members entitled to call a meeting of Members, shall specify the place, the date and time of the meeting and (i) in case of a special meeting, the general nature of the business to be transacted or (ii) in the case of an annual meeting, those matters which the Board of Directors, at the time notice is given, intends to present for action by the Members; provided, however, notwithstanding the foregoing, any proper matter may be presented for action by the members at an annual meeting. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees for election to the Board of Directors at the time notice is given to Members.

4.4.2 Notices of meetings, whether annual or special, shall be given by the Board of Directors, or in the case of neglect or refusal by the Board of Directors, by any officer, director or Member. All notices shall be given either personally or by mail sent to the address of each Member appearing on the books of the Association or to the address supplied by it to the Association for the purpose of receiving notice. A notice mailed or delivered as part of a newsletter, magazine or other circular regularly sent to Members shall constitute written notice when addressed and mailed or delivered to the Member or, in the case of Members who are residents of the same household and who have the same address on the books of the Association, when addressed and mailed or delivered to one (1) of such Members, at the address appearing on the books of the Association.

4.4.3 When a Members' meeting, either annual or special, is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting which is adjourned. A meeting adjourned for lack of quorum by those in attendance shall be set for a date not less than five (5) days nor more than thirty (30) days from the original meeting date. If (i) a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, (ii) for any reason a new date is fixed for the adjourned meeting after adjournment or (iii) the adjournment is for more than thirty (30) days, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings. At the adjourned meeting the Association may transact any business which might have been transacted at the original meeting.

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

4.5.1 The transactions of any meeting of Members, whether annual or special, however called and noticed, shall be valid as though having occurred at a meeting duly held after regular call

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

4.6 Action by Written Ballot.

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

4.6.2 Ballots shall be solicited in a manner consistent with the requirements of paragraph 4.4.2. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

4.7 Quorum.

4.7.1 The presence in person or by proxy of Members entitled to exercise a majority of the voting power of the Association shall constitute a quorum at all meetings of Members for the transaction of business thereat. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum,

provided any action taken (other than adjournment) is approved by at least a majority of the number of Members required to constitute a quorum.

4.7.2 In the absence of a quorum at the commencement of any meeting of Members, the Members entitled to vote thereat, present in person or by proxy, shall have the power, by the vote of a majority of the votes represented, to adjourn the meeting from time to time until the requisite number of Members shall be present or represented, but no other business may be transacted; provided, however, that any such adjournment shall be to a date not less than five (5) and not more than thirty (30) days from the date of the originally scheduled meeting. At such adjourned meeting the quorum requirement shall be reduced to the presence in person or by proxy of Members entitled to exercise thirty-three and one third percent (33-1/3%) of the voting power of the Association. If the requisite number of Members constituting the reduced quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

ARTICLE 5 - Voting Rights

5.1 Members' Right to Vote.

5.1.1 Only persons who are Members of the Association shall be entitled to vote at a meeting of Members.

5.2 Classes of Voting Members.

5.2.1 Members shall be divided into two (2) classes for the purposes of voting, Class A and Class B. Class A Member(s) shall be all Owners except Declarant and said Class A Member(s) shall be entitled to one (1) vote for each Lot owned. The lone Class B Member shall be Declarant, who shall be entitled to three (3) votes for each Lot owned. Declarant's Class B voting status shall cease and convert to Class A voting status on the earlier occurrence of one of the following: (i) when the total votes outstanding in Class A equal the total votes outstanding in Class B or (ii) on that certain date which is two (2) years after the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for the Project. If record title to a Lot is held in the name of more than one (1) person, such persons shall collectively constitute a single Member and there shall be only one (1) vote attributable to such Member (unless such Member is Declarant, in which case such Member shall have the number of votes attributable to Declarant as set forth in this paragraph). Each of such persons collectively constituting a single Member shall otherwise be individually entitled to the benefits of membership in the Association. The manner of casting and counting such vote shall be controlled by the provisions of the paragraph of these Bylaws entitled "Voting Rights; Required Vote; Cumulative Voting."

5.3 Voting Rights; Required Vote; Cumulative Voting.

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

5.3.2 When a quorum is present at any regular or special meeting of Members, the affirmative vote of a majority of the Members of each voting class of the Association present at such meeting shall be required for Members to transact any business thereat, except as may be otherwise provided in these Bylaws, the Articles or the Declaration.

5.3.3 Every Member entitled to vote at any election of directors of the Association may cumulate its 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 it is entitled, or distribute its votes on the same principle among as many candidates as it may desire. Cumulative voting shall be required in all elections in which more than two (2) positions on the Board of Directors are to be filled. Notwithstanding the foregoing, no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected directors of the Association.

5.3.4 For as long as (i) a majority of the voting power of the Association resides in Declarant or (ii) there are two (2) outstanding classes of Members for the purpose of voting as set forth in Article 5 hereof, Declarant shall not be entitled to vote in the election of one director or twenty percent (20%) of the directors to be elected, whichever is greater.

5.3.5 If a membership stands of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two (2) or more persons (including proxy holders) have the same fiduciary relationship respecting the same membership, unless the secretary of the Association is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one (1) votes, such act binds all, or (ii) if more than one (1) vote, the act of the majority so voting binds all.

5.4 Proxies.

5.4.1 Every Member entitled to vote or to authorize action may do so either in person or by one or more agents authorized by

a written proxy executed by such Member and filed with the secretary of the Association. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this paragraph. Such revocation may be effected by a writing delivered to the Association stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting or, as to any meeting, by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution.

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

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

ARTICLE 6 - Directors; Management

6.1 General Powers.

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

6.2 Specific Powers.

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

(i) To adopt regulations not inconsistent with the provisions of the Declaration and these Bylaws.

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

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

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

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

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

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

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

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

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

(xi) To make available to any Owner, any first mortgagee, and the holders, insurers and guarantors of a first mortgage or deed of trust on any Lot, current copies of the Articles, Bylaws, Declaration, rules governing the Project, and other books, records and financial statements of the Association. The Board of Directors shall make the aforementioned documents available for inspection, upon request, during normal business hours or under other reasonable circumstances.

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

(xiii) To suspend temporarily the voting privileges of an Owner, for default in the payment of any regular or special assessment levied by the Association pursuant to the Declaration, or for violating any regulations adopted by or established by the Board of Directors or for breaching any provision of the Declaration, the Articles or these Bylaws. Any suspension must be done in good faith and in a fair and reasonable manner. The Member must be given fifteen (15) days' prior notice of the suspension. Notice must set forth reasons for the suspension and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Member shown on the Association's records. The Member must be provided an opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of the suspension by a properly convened meeting of the Board of Directors.

(xiv) To impose a reasonable monetary fine(s), if provided for in the Declaration or these Bylaws, upon an Owner for any breach of any of (a) the limitations, restrictions, conditions or covenants set forth in the Declaration (other than a breach by failure to pay an assessment(s)), (b) the provisions of the Articles or these Bylaws or (c) the rules and regulations adopted by the Board of Directors pursuant to the Declaration, the Articles or these Bylaws. The imposition of such fine(s) must be done in good faith and in a fair and reasonable manner. The Member must be given fifteen (15) days' prior notice of the imposition of a fine(s). Notice must set forth reasons for the imposition of a fine(s) and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Member shown on the Association's records. The Member must be provided an opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of the imposition of a fine(s) by a properly convened meeting of the Board of Directors.

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

6.2.3 Any contract entered into, or instrument executed, by any two (2) or more directors pursuant to resolution of the Board of Directors shall be (i) valid and subsisting according to the

tenor of such contract or instrument and (ii) a charge upon all cash, bank accounts and other personal property under the control of the Board of Directors. So long as it acts within the scope of its authority as a director, no director shall have any personal liability under any such contract or instrument; however, the foregoing shall not be construed to relieve any director who is also an Owner from liability as such Owner.

6.2.4 Anything in this Article to the contrary notwithstanding, unless the Members have approved such action (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two (2) voting classes of the Association or (ii) upon cessation of one (1) of the two (2) voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant, the Board of Directors may not:

(i) Enter into a contract with a third person for materials and/or services benefiting the Association for a term in excess of one (1) year, except any:

(a) Management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

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

(c) Prepaid casualty and/or liability insurance policy which does not exceed three (3) years' duration provided that such policy permits for short rate cancellation by the insured; and

(d) Lease agreement for laundry fixtures and equipment not to exceed five (5) year's duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect interest of ten percent (10%) or more.

(ii) Incur aggregate expenditures for capital improvements to the Project in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for such fiscal year;

(iii) Sell, during any fiscal year of the Association, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

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

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

6.2.5 Anything contained in this paragraph 6.2 to the contrary notwithstanding, the Board of Directors shall not have the power to authorize or approve any contract for the professional management of the Project, or any contract providing for the services of Declarant, which (i) does not permit the Association to terminate (a) for cause on thirty (30) days' written notice and (b) without cause, or payment of a termination fee, on ninety (90) days' or less written notice and/or (ii) has a term greater than three (3) years. Except as provided herein, no contract with the Association negotiated by Declarant shall exceed a term of one (1) year.

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

6.3 Number.

6.3.1 The authorized number of directors of the Association shall be five (5) until changed by an amendment to this paragraph of these Bylaws. (Amended from three to five 5/15/89.)

6.4 Election and Tenure of Office. - AMENDED (SEE ATTACHED)

6.4.1 The Board of Directors shall be elected by secret and written ballot at the annual meeting of Members, to serve for one (1) year and until their successors are elected and have qualified or until their earlier resignation or removal. The term of office for directors shall begin immediately after their election.

6.4.2 In advance of any meeting of Members, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of Members may, and on the request of any Member or a Member's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting at the request of one (1) or more Members or proxies, the majority of Members represented in person or by proxy shall determine whether one (1) or three (3) inspectors are to be appointed. If there are three (3) inspectors of election, the decision of a majority of the inspectors of election shall govern in all respects as to the matters before them. The inspectors of

election shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all Members.

6.5 Vacancies.

6.5.1 A vacancy or vacancies shall be deemed to exist in any of the following instances: (i) the death, resignation or removal of any director, (ii) the authorized number of directors shall be increased by amendment to these Bylaws and the Members shall fail to elect the additional director(s), (iii) Members shall fail at any time to elect the full number of authorized directors, or (iv) any director shall fail to qualify to serve in the office within thirty (30) days after notice of its election. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by a final order or court or convicted of a felony.

6.5.2 Vacancies in the Board of Directors may be filled by a majority of the remaining directors, whether or not less than a quorum, or by a sole remaining director; provided, however, that vacancies in the Board of Directors resulting from the removal of directors may only be filled by a vote of the Members as provided in the Article hereof entitled "Voting Rights." Each director so elected shall hold office until its successor is elected at an annual, regular or special meeting of Members or until its earlier resignation or removal.

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

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

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

6.6 Removal of Directors.

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

6.6.2 Notwithstanding the foregoing, a director who, pursuant to paragraph 5.3 hereof, has been elected solely by the votes of Members other than Declarant may be removed from office prior to expiration of its term of office only by the vote of at least a majority of the voting power residing in Members other than Declarant.

6.7 Place of Meetings.

6.7.1 Meetings of the Board of Directors shall be held within the Project.

6.8 Organizational Meetings; Notice.

6.8.1 Annual organizational meetings of the Board of Directors shall be held immediately following the adjournment of the annual meetings of Members or at such other date, time and place as the Board of Directors may designate by resolution. No notice of organizational meetings need be given to directors except that written notice setting forth the date, time and place of said meeting shall be posted at a prominent place (or places) within the Project at least four (4) days prior to the scheduled date of said meeting.

6.9 Other Regular Meetings; Notice.

6.9.1 Regular meetings of the Board of Directors, other than the annual organizational meeting, shall be held at such date, time and place within the Project as may be agreed upon from time to time by the Board of Directors except that said meetings shall be held at least every six (6) months if business to be transacted by the Board of Directors does not justify more frequent meetings; or may be called at any time by the chairman of the Board of Directors or the president, any vice president, secretary or by any two (2) directors of the Association. If said date shall fall upon a holiday such meeting shall be held on the next succeeding business day thereafter.

6.9.2 Notice of the date, time and place of a regular meeting shall be given to each of the members of the Board of Directors at least four (4) days before such meeting by (i) telephone, (ii) telegraph, (iii) written notice personally delivered or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Association or, if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Written notice of the resolution, if any, establishing a date of the month, the time and place of a regular meeting shall also be given to each director. Notices of the date, time and place of a regular meeting shall also be posted at a prominent place (or places) within the Project at least four (4) days before the date of the meeting.

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

6.10 Special Meetings; Notice.

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

6.10.2 Notice of the date, time and place of a special meeting shall be given to each of the members of the Board of Directors by (i) telephone, (ii) telegraph, (iii) written notice personally delivered, or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Association or if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Such notice of a special meeting shall set forth the general nature of the business to be considered thereat. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the date of the holding of the meeting. In case such notice is delivered personally or by telephone or telegraph, it shall be so delivered at least seventy-two (72) hours prior to the date of the holding of the meeting. Such mailing, telephoning, telegraphing or personal delivery shall be due, legal and proper notice to such director.

6.10.3 Notice of a special meeting need not be given to any director who signed a waiver of notice or a written consent to holding of the meeting, whether before or after the meeting, or who attend the meeting without protesting prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents or approvals shall be filed with the

Association records or made a part of the minutes of the meetings.

6.10.4 Written notice of every special meeting of the Board of Directors, specifying the date, time and place of the meeting and the general nature of the business to be considered, shall be posted at a prominent place (or places) within the Project at least seventy-two (72) hours prior to the scheduled time of such meeting.

6.11 Adjournment.

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

6.12 Quorum; Required Vote.

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

6.13 Open Meetings; Executive Sessions.

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

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

6.14 Action by Unanimous Written Consent.

6.14.1 Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of the directors.

6.14.2 If the Board of Directors takes action by unanimous written consent as provided in paragraph 6.14.1 above, an explanation of such action shall be posted at a prominent place or places within the Project within three (3) days after all of the written consent of the directors have been received by the secretary of the Association.

ARTICLE 7 - Officers

7.1 Officers.

7.1.1 The officers of the Association shall be a president, vice president, secretary and chief financial officer. The Association may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors, one (1) or more additional vice presidents, one (1) or more assistant secretaries, one (1) or more assistant chief financial officers, and such other officers as may be appointed in accordance with the provisions of paragraph 7.3. Any two (2) or more offices, except those of president and secretary, may be held by the same person.

7.2 Appointment.

7.2.1 Each officer of the Association, except such officers as may be appointed in accordance with the provisions of paragraphs 7.3 or 7.5 shall be chosen annually by the Board of Directors, and shall hold office until a successor shall be appointed or until the earlier resignation, removal or disqualification of such officer.

7.3 Subordinate Officers.

7.3.1 The Board of Directors may at any time appoint, or may designate an officer to appoint, such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

7.4 Removal and Resignation.

7.4.1 Any officer may be removed, either with or without

cause, by the Board of Directors; and additionally, any subordinate officers not appointed by the Board of Directors may be removed by any officer upon whom such power of removal has been conferred by the Board of Directors.

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

7.5 Vacancies.

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

7.6 Chairman of the Board.

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

7.7 President.

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

7.8 Vice President(s).

7.8.1 In the absence or disability of the president, the vice president or, if there is more than one (1) vice president, the vice presidents in order of their rank as fixed by the Board of Directors (or if not ranked, the vice president designated by the Board of Directors), shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon the president. The vice

president(s) so performing the duties of the president shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

7.9 Secretary and Assistant Secretary.

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

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

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

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

7.10 Chief Financial Officer and Assistant Chief Financial Officer.

7.10.1 The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses and surplus. The books of account shall at all reasonable times be open to inspection by any director.

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

the funds of the Association as may be ordered by the Board of Directors, shall render to the president and Board of Directors, whenever they request it, an account of all transactions by the chief financial officer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

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

7.10.4 The assistant chief financial officer, if there shall be such an officer or if there shall be more than one (1), the assistant chief financial officers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their appointment), shall, in the absence of the chief financial officer or in the event of the inability or refusal of the chief financial officer to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE 8 - Committees

8.1 Executive and Other Committees.

8.1.1 The Board of Directors may by resolution adopted by a majority of the number of directors then in office, provided that a quorum is present, create an Executive Committee, and such other committees as may be necessary from time to time, each consisting of two (2) or more directors and with such powers as it may designate, consistent with the Articles, these Bylaws and the laws of the State of California. Appointments to such committees shall be by a majority vote of the directors in office at the time of appointment. The Board of Directors may appoint one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Such committees shall hold office at the pleasure of the Board of Directors and need not be reappointed annually.

ARTICLE 9 - Association
Records and Reports; Inspection

9.1 Records.

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

9.2 Inspection of Books and Records.

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

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

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

9.3 Certification and Inspection of Bylaws.

9.3.1 The original or a copy of these Bylaws as amended or otherwise altered to date, certified by the secretary, shall be open to inspection by Members at the Association's principal office at all reasonable times during office hours.

9.4 Checks, Drafts, Etc.

9.4.1 All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

9.5 Contracts, Etc.; How Executed

9.5.1 The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or to any amount.

9.6 Annual Budget.

9.6.1 The Board of Directors shall cause a budget for each fiscal year to be regularly prepared and distributed to all Members, not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of each fiscal year of the Association, regardless of the number of Members or the amount of assets of the Association. The budget shall contain the following information: (i) the estimated revenue and expenses of the Association on an accrual basis; (ii) the amount of the total cash reserves of the Association currently available for contingencies; (iii) an itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to, major components of the facilities for which the Association is responsible; and (iv) 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 facilities for which the Association is responsible.

9.7 Initial Financial Report.

9.7.1 The Board of Directors shall cause to be prepared an initial financial report, which report shall include (i) a balance sheet as of an accounting date (the "Accounting Date") which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot in the Project; and (ii) an operating statement for the period from the date of the first closing to the Accounting Date, which operating statement shall include a schedule of assessments received and receivable itemized by the Lot number and by the name of the Member so assessed. The initial financial report shall be distributed to each Member within sixty (60) days from the Accounting Date.

9.8 Annual Report.

9.8.1 The Board of Directors shall cause to be prepared and distributed to all Members, within one hundred twenty (120) days after the close of each fiscal year, an annual report, which shall include: (i) a balance sheet as of the end of the fiscal year; (ii) an operating (income) statement for the fiscal year;

(iii) a statement of changes in financial position for the fiscal year; (iv) any information required to be reported under Section 8322 of the California Corporations Code; (v) a statement of the place where the names and addresses of the current Members are located; and (vi) for any fiscal year in which the gross income to the Association (including all regular and special assessments levied upon all Members during the fiscal year) exceeds seventy-five thousand dollars (\$75,000.00), a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared from the books and records of the Association without independent audit or review. For any fiscal year in which the annual report is not prepared by an independent accountant, the statements prepared in connection with the annual report shall be prepared in conformity with generally accepted accounting principles, or some other basis of accounting which reasonably sets forth the assets and liabilities and the income and expenses of the Association and discloses the accounting basis used in the preparation. Upon written request of a Member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting Member.

9.9 Statement of Policies and Practices.

9.9.1 The Board of Directors shall cause to be distributed to all Members, within sixty (60) days prior to the beginning of each 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 Lots.

ARTICLE 10 - Corporate Seal

10.1 Description of Corporate Seal

10.1.1 The Association's corporate seal shall be circular in form, and shall have inscribed thereon the name of the Association, the date of its formation and the word "California."

ARTICLE 11 - Amendments to Bylaws

11.1 By Members.

11.1.1 New bylaws may be adopted or these Bylaws may be repealed or amended (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two (2) voting classes of the Association or (ii) upon cessation of one (1) of the two (2) voting classes, by a vote or written ballot of Members entitled to exercise a majority of the

voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant.

11.2 No Amendment by Board of Directors.

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

11.3 Record of Amendments.

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

ARTICLE 12 - Amendments to Articles

12.1 Amendments

12.1.1 Amendments to the Articles may only be adopted by a vote of a majority of the directors of the Association and (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two (2) voting classes of the Association or (ii) upon cessation of one (1) of the two (2) voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant.

12.2 Record of Amendments.

12.2.1 Amendments shall be reflected in the book containing the original Articles. Upon the adoption of an amendment, the secretary of the Association shall file a certificate of amendment or restated Articles of Incorporation pursuant to California Corporations Code sections 7814 and 7819.

ARTICLE 13 - Supremacy of Declaration

13.1 Supremacy

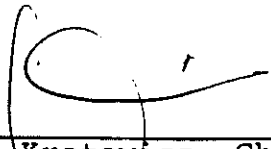
13.1.1 No provision of the Articles or of these Bylaws, and no action of the Association, in violation or contravention of any provision of the Declaration shall be valid, subsisting or of any effect whatsoever.

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

IN WITNESS WHEREOF, the undersigned has hereunto subscribed its name this 25 day of September, 1986.

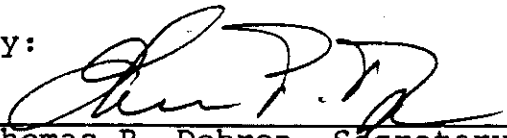
THE SUNLAND HOUSING GROUP,
INC., a California corporation

By:



Ure R. Kretowicz, Chief
Executive Officer

By:



Thomas P. Dobron, Secretary

BYLW/OA/BVBH
TMP2

BERNARDO VISTA AT BERNARDO HEIGHTS ASSOCIATION

CERTIFICATION OF AMENDMENT TO THE BYLAWS

NEW BYLAW 6.4 Election and Tenure of Office

6.4.1 At the meeting concurrent with the adoption of this amendment, five (5) Directors shall be elected by secret and written ballot and the Board shall be classified according to the number of votes received. The three (3) Directors receiving the highest number of votes shall serve a term of two (2) years. The remaining two (2) Directors shall serve a term of one (1) year. Thereafter, at each subsequent election, the Directors elected, whether two (2) or three (3), 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.

I hereby attest that the above bylaw amendment was approved at the Annual Meeting of Members held on February 17, 1992 at the Bernardo Heights Community Center.

ATTEST:

Clay E. Melnyk
Secretary

DATE:

2/26/92