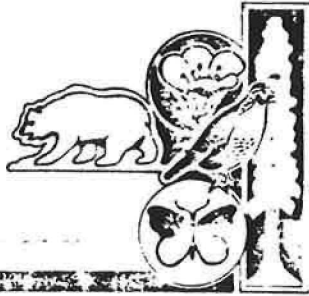


Articles of Incorporation

Chateau Bernardo
Homeowners
Association



State
of
California

OFFICE OF THE SECRETARY OF STATE

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

DEC 05 1985



March Fong Eu

Secretary of State

1292263

**ENDORSED
FILED**
In the office of the Secretary of State
of the State of California

DEC 5 1985

MARCII FONG EU, Secretary of State
Gloria J. Carroll
Deputy

ARTICLES OF INCORPORATION
OF
CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

ARTICLE I

The name of this corporation (hereinafter called the "Association") is CHATEAU BERNARDO HOMEOWNERS ASSOCIATION.

ARTICLE II

The principal office for the transaction of business of the Association is located in San Diego County, State of California.

ARTICLE III

The Association is a Nonprofit Mutual Benefit Corporation organized pursuant to the Nonprofit Mutual Benefit Corporation Law. The purpose of the Association is to engage in any lawful act or activity for which a corporation may be organized under such Law. More specifically, the Association will provide for management, administration, maintenance and preservation of a portion of a planned residential development project within that certain real property situated in The City of San Diego, County of San Diego, California, the first phase of which is more particularly described as:

Lots 42 through 70, inclusive, of BERNARDO HEIGHTS UNIT NO. 6 according to Map thereof No. 9647 filed in the Office of the County Recorder of San Diego County, California,

and to promote the health, safety and welfare of all of its members who shall be owners of Lots (as defined in the Declaration to which reference is hereafter made) within the above-described property and any additions thereto which may be brought within the jurisdiction of the Association for these purposes.

ARTICLE IV

In furtherance of said purposes, the Association shall have the power to perform all of the duties and obligations of the Association as set forth in the Declaration of Covenants, Conditions and Restrictions ("Declaration") applicable to the property, owners of which are required by the Declaration to be members of the Association, and recorded or to be recorded in the Office of the County Recorder of San Diego County, California.

Notwithstanding any of the above statements of purposes and powers, the Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of the Association.

ARTICLE V

The name and address in this state of the Association's initial agent for service of process is SCOTT PARKER, 3900 Harney Street, San Diego, California 92110.

ARTICLE VI

Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

ARTICLE VII

The Association shall have two classes of voting membership:

Class A. Class A members shall be all owners of a Lot with the exception of Declarant (as defined in the Declaration) and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(b) Two (2) years following the date of original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a phase of development of the property described in Article III; or

(c) Four (4) years following the date of original issuance by the California Department of Real Estate of the Final Subdivision Public Report for the first phase of the development of the property as described in Article III.

ARTICLE VIII

The affairs of the Association shall be managed by a Board of three (3) directors. At the first annual meeting of members, three (3) directors shall be elected for a term of one (1) year. Thereafter, directors shall be elected at each annual meeting of members to fill the vacancies of those directors whose term then expires and the term of each such director so elected shall be one (1) year.

ARTICLE IX

Upon dissolution of the Association other than incident to a merger or consolidation, the net assets of the Association shall be distributed to the members of the Association as their interests may appear.

ARTICLE X

Amendment to these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Association, and (ii) members representing seventy-five percent (75%) or more of the voting power of each class of members; provided, however, that after conversion of the Class B membership to Class A membership, amendment to these Articles of Incorporation shall require the assent (by vote or written consent) of (a) a bare majority of the Board of Directors of the Association, (b) seventy-five percent (75%) or more of the total voting power of members, and (c) seventy-five percent (75%) or more of the voting power of members other than Declarant.

DATED: December 4, 1985.

/s/ A. John Hecht
A. JOHN HECHT, Incorporator

I declare that I am the person who executed the above Articles of Incorporation, and that this instrument is my act and deed.

/s/ A. John Hecht
A. JOHN HECHT

Bylaws

**Chateau Bernardo
Homeowners
Association**

BYLAWS
OF
CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

AMENDED BYLAWS OF THE CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

The following amendments to the Bylaws of the Chateau Bernardo Homeowners Association were approved by a majority vote of the members via secret ballots that were opened and tallied at the Board of Directors meeting held on Thursday, September 18, 2008.

Article III Section 1. Annual Meetings.

The first annual meeting of Members shall be held within forty-five (45) days after close of escrow for the sale by Declarant of fifty one percent (51%) of the Lots in the first phase of development of the Properties, but not later than six (6) months after close of escrow for the sale of the first Lot by Declarant. Subsequent annual meetings of the Members shall be held each year in the month of January on a date and time established by the Board, provided that adjournments of such meetings for lack of quorum or otherwise be held as soon thereafter as practical, and in accordance with applicable law. If the day for any annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. Annual meetings of Members shall be held within the Properties or at such other location in San Diego County, California, in reasonable proximity to the Properties, as may be designated in the notice of meeting.

Article III Section 4. Quorum.

At any meeting of the Members, the presence either in person or by proxy of Members entitled to cast votes equal to at least one-third of the total voting power of the Association shall constitute a quorum for any action except as otherwise provided in the Governing Documents or by law. At the Board's discretion, Members may, by Electronic Transmission or electronic video screen, participate, be considered present for quorum purposes and vote at a meeting of Members subject to the requirements of corporations Code 7510 and the applicable Civil Codes. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum, if the action taken, other than adjournments, is approved by at least a majority of Members required to constitute a quorum.

Article VI Section I. Meeting of Directors

Regular meetings of the Board of Directors shall be held quarterly or bi-monthly, at a time and place fixed by resolution of the Board. The meeting place shall ordinarily be within the Community unless, in the judgment of the Board, a larger meeting room is required than exists in the Community. Any larger meeting room selected by the Board shall be as close as possible to the Community.

Article VI Section 1. Enumeration of Officers.

The Officers of this Association shall be a President, a Vice-President, a Secretary and a Treasurer. The Board may appoint such additional Officers as it may, in its sole discretion, determine necessary or desirable. Any number of offices may be held by the same person, except for the offices of (a) President and Treasurer, and (b) President and Secretary. Officers must be Board members. Each officer shall hold his or her office at the pleasure of the Board.

CHATEAU BERNARDO

BY-LAW REVISIONS

Our By-laws provide that "The affairs of this Association shall be managed by a Board of three (3) directors, who need not be Members of the Association." (This Association non-membership statement goes back to the beginning of Chateau Bernardo when our Association was controlled by the Developer.)

The general counsels of Rancho Bernardo Home Owners Association and of Bernardo Heights Home Owners Association feel strongly that each Association committee be chaired by a Board member. The board of Chateau Bernardo agrees with this position and feels that it would be most helpful to increase the size of the board to five members and to provide continuity by electing directors to staggered terms of two (2) years. Accordingly it is proposed that the By-laws be amended as follows:

ARTICLE IV Section 1. be deleted in it's entirety and the following substituted:

Section 1. Number. The affairs of this Association shall be managed by a board of five (5) directors, each of whom shall be a Member of the Association.

ARTICLE IV Section 2. be deleted in it's entirety and the following substituted:

Section 2. Term of Office. At the 1991 annual meeting of Members, three (3) directors shall be elected for a term of one (1) year and two (2) directors shall be elected for a term of two (2) years. Thereafter, directors shall be elected at each annual meeting of Members to fill the vacancies of those directors whose term then expires and the term of each director so elected shall be two (2) years. If any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their successors are elected.

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS
NOVEMBER 19, 1987
WRITTEN BALLOT
AMENDMENT TO BYLAWS

The Community Association of Bernardo Heights is requesting a vote by written ballot to amend Article 4, Section 4.2 of the Bylaws, entitled Term of Office. A copy of the proposed By-law amendment is attached for your review.

A By-Law Amendment requires the votes of Community Members (each Neighborhood) other than the Declarant. Each Neighborhood is entitled to one vote per lot or unit under assessment as of November 19, 1987. As Board President you need to discuss this amendment with your Neighborhood Board and cast the ballot in accordance with their direction. The ballot must be signed by either the Board President or Board Vice-President.

The Parview Estates Association has 102 votes to cast as of the above record date.

Yes The Neighborhood Association votes for the amendment.

_____ The Neighborhood Association votes against the amendment.

In accordance with Article 3, Section 8, Action By Written Ballot, the quorum requirements for such a written ballot mandate that fifty-one percent (51%) of the Association's voting power must respond by returning this ballot. Additionally, fifty-one percent (51%) of the ballots returned must vote in favor of the amendment to pass. The ballot returned to the Community Association will be cast as you have indicated above.

This ballot must be delivered to the Community Association office, at 16150 Bernardo Heights Parkway, San Diego, California 92128, no later than 5:00 p.m. December 22, 1987. Ballots received after this time will be invalid. In the event your Board will not be meeting before the due date above, please call a special meeting to obtain Board direction on this matter.

The undersigned has executed this instrument this 3rd day of November, 1987.

Signature: Edward M. Guell Title President

Print full name: EDWARD M. GUELL

Neighborhood Association: Parview Estates (Fairways Heights II HOA)

Address: Property Management Consultants
P.O. Box 27479 San Diego, CA 92128

CHATEAU BERNARDO HOMEOWNERS' ASSOCIATION

AMENDMENTS TO BY-LAWS

ARTICLE XI ASSESSMENTS shall be deleted in it's entirety and the following substituted.

ARTICLE XI

ASSESSMENTS

SECTION 1. ASSESSMENTS. As more fully provided in the Declaration, each Owner of a Lot is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, a penalty may be imposed and the total amount of the penalty and assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same and in addition thereto or in lieu thereof foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Lot.

SECTION 2. NON-PAYMENT OF ASSESSMENT. In the event of the Association does not receive an Owner's payment of the entire amount of a regular or special assessment imposed upon its Lot pursuant to this Article within 30 days after the due date thereof, a late payment penalty shall be immediately due and payable by such Owner. The amount of the late payment penalty shall be equal to ten percent (10%) of the delinquent amount or ten dollars (\$10), whichever is greater, and shall be in addition to any attorney's 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. The Board of Directors may, from time to time, increase the amount of such late payment penalty; provided, however, that the amount of such increased late-payment penalty shall not exceed the maximum permitted by California Civil Code Section 1725, as the same may be from time to time amended, or any other applicable laws.

SECTION 3. ENFORCEMENT OF COVENANTS. The Association may levy an Enforcement Assessment against any Owner for violation of any of the provisions of the Declaration or for violations of any of the By-Laws or rules adopted by the Association. The Board shall have the authority to adopt a reasonable schedule of assessments for any violation of the Declaration, Articles, By-Laws and/or Rules. If after notice and a hearing the Owner fails to cure or continues such violation, the Association may impose an additional fine each time the violation is repeated, and may assess such Owner and enforce the Enforcement Assessment in the same manner provided for non-payment of an Association Assessment. A hearing committee may be established by the Board to administer the foregoing.

TABLE OF CONTENTS

		<u>PAGE</u>
ARTICLE I	NAME AND LOCATION	1
ARTICLE II	DEFINITIONS	1
Section 1	Articles	1
Section 2	Association	1
Section 3	Board	1
Section 4	Bylaws	1
Section 5	Declarant	1
Section 6	Declaration	1
Section 7	FHA	1
Section 8	Lot	2
Section 9	Member	2
Section 10	Mortgage	2
Section 11	Mortgagee	2
Section 12	Owner	2
Section 13	Properties	2
Section 14	VA	2
ARTICLE III	MEETINGS OF MEMBERS AND MEMBERSHIP RIGHTS	
Section 1	Annual Meetings	2
Section 2	Special Meetings	2
Section 3	Notice of Meetings	3
Section 4	Quorum	3
Section 5	Proxies	3
Section 6	Presumption of Notice	4
Section 7	Consent of Absentees	4
Section 8	Action Without Meeting	4
Section 9	Membership Rights	4
ARTICLE IV	SELECTION AND TERM OF OFFICE OF DIRECTORS	
Section 1	Number	5
Section 2	Term of Office	5
Section 3	Removal	5
Section 4	Compensation	5
ARTICLE V	NOMINATION AND ELECTION OF DIRECTORS	
Section 1	Nomination	6
Section 2	Election	6
ARTICLE VI	MEETINGS OF DIRECTORS	
Section 1	Regular Meetings	7
Section 2	Special Meetings	7

		<u>PAGE</u>
Section 3	Quorum	8
Section 4	Attendance	8
Section 5	Action Without Meeting	8
ARTICLE VII	POWERS AND DUTIES OF THE BOARD OF DIRECTORS	
Section 1	Powers	8
Section 2	Duties	9
ARTICLE VIII	OFFICERS AND THEIR DUTIES	11
Section 1	Enumeration of Officers	11
Section 2	Election of Officers	11
Section 3	Term	11
Section 4	Special Appointments	11
Section 5	Resignation and Removal	11
Section 6	Vacancies	11
Section 7	Multiple Offices	11
Section 8	Duties	12
Section 9	Compensation	12
ARTICLE IX	COMMITTEES	13
ARTICLE X	BOOKS AND RECORDS	13
ARTICLE XI	ASSESSMENTS	13
ARTICLE XII	CORPORATE SEAL	14
ARTICLE XIII	AMENDMENTS	14
Section 1	Amendments	14
Section 2	Conflict Between Documents	15
ARTICLE XIV	MISCELLANEOUS	15
Section 1	Fiscal Year	15
Section 2	Financial Statements	15
Section 3	Budget	17
Section 4	Voting After Conversion of Membership	17
ARTICLE XV	NOTICE TO LENDERS	17

BYLAWS
OF
CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in the County of San Diego, California.

ARTICLE II

DEFINITIONS

Section 1. "Articles" shall mean and refer to the Articles of Incorporation of the Association as they may from time to time be amended.

Section 2. "Association" shall mean and refer to CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation, its successors and assigns.

Section 3. "Board" shall mean and refer to the Board of Directors of the Association.

Section 4. "Bylaws" shall mean and refer to the bylaws of the Association as they may from time to time be amended.

Section 5. "Declarant" shall mean and refer to BERNARDO HEIGHTS JOINT VENTURE, a general partnership, its successors and assigns.

Section 6. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the County Recorder of San Diego County, California.

Section 7. "FHA" shall mean and refer to the Federal Housing Administration.

Section 8 . "Lot" shall mean and refer to any plot of land shown as such upon any recorded subdivision map of the Properties.

Section 9. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration.

Section 10. "Mortgage" shall mean and refer to a deed of trust as well as a mortgage encumbering a Lot.

Section 11. "Mortgagee" shall mean and refer to the beneficiary of a deed of trust as well as the mortgagee of a mortgage encumbering a Lot.

Section 12. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 13. "Properties" shall mean and refer to that certain real property described as such in the Declaration of Covenants, Conditions and Restrictions, recorded or to be recorded in the Office of the County Recorder of San Diego County, California, Owners of which are required to be Members of the Association, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 14. "VA" shall mean and refer to the Veterans Administration.

ARTICLE III

MEETINGS OF MEMBERS AND MEMBERSHIP RIGHTS

Section 1. Annual Meetings. The first annual meeting of Members shall be held within forty-five (45) days after close of escrow for the sale by Declarant of fifty-one percent (51%) of the Lots in the first phase of development of the Properties, but not later than six (6) months after the close of escrow for the sale of the first Lot by Declarant. Subsequent annual meetings of the Members shall be held each year thereafter within fifteen (15) days before or after the anniversary date of the first annual meeting, at the time determined by the Board. If the day for any annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following

which is not a legal holiday. Annual meetings of Members shall be held within the Properties or at such other location in San Diego County, California, in reasonable proximity to the Properties, as may be designated in the notice of meeting.

Section 2. Special Meetings. Special meetings of Members, for any purpose or purposes whatsoever, may be called at any time by the president or by a majority of a quorum of the Board, or by the written request of five percent (5%) or more of the voting power of the Members.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice, and to the holder of a first Mortgage encumbering any Lot who has requested in writing such notice. Such notice shall specify the place, day and hour of the meeting and those matters which the Board at the time of the mailing of the notice intends to present for action by the Members. The holder of a first Mortgage encumbering any Lot shall be entitled to designate a representative who shall have the right to attend all meetings of Members.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, a majority of the total voting power of Members shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these Bylaws. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough voting power to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting, the Members present in person or by proxy may not transact business but shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented or, unless otherwise provided by law, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be at least twenty-five percent (25%) of the total voting power of Members. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place

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

Section 5. Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months following the date of its execution. The transfer of title to any Lot shall void any outstanding proxy pertaining to the voting rights of the membership appurtenant to that Lot.

Section 6. Presumption of Notice. A recitation in the minutes of any membership meeting that notice of such meeting had been properly given shall be prima facie evidence that such notice was so given.

Section 7. Consent of Absentees. The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. Action Without Meeting. Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Members, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code.

Section 9. Membership Rights. No Member shall have the right without the prior approval of the Board to exercise any of the powers or to perform any of the acts by these Bylaws delegated to the Board as in Article VII of these Bylaws more fully provided. The membership rights and privileges, together with the voting rights of any Member, may be suspended by the Board for any period of time during which the assessment on his Lot remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board. Should the Board believe grounds may exist for any such suspension, the Board shall give to the Member believed to be in violation at least fifteen (15) days' prior written notice of the intended suspension and the reasons there-

for. The Member shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last address of the Member shown on the Association's records. Anything herein stated to the contrary notwithstanding, the Board shall not have the power to suspend any Member's rights of access or utilities to his Lot and no Member may be expelled from the Association. Monetary penalties may be adopted by the Association provided the adoption of such penalties is approved by seventy-five percent (75%) of the Owners, excluding Declarant.

ARTICLE IV

SELECTION AND TERM OF OFFICE OF DIRECTORS

Section 1. Number. The affairs of this Association shall be managed by a Board of three (3) directors, who need not be Members of the Association.

Section 2. Term of Office. At the first annual meeting of Members, the Members shall elect three (3) directors for a term of one (1) year. Thereafter, directors shall be elected at each annual meeting of Members to fill the vacancies of those directors whose term then expires for a term of one (1) year, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their successors are elected.

Section 3. Removal. The entire Board may be removed from the Board, with or without cause, by a majority vote of the Members. Subject to Section 2 of Article V, unless the entire Board is so removed, an individual director shall not be removed if the number of votes against the resolution for his removal or not consenting in writing to his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Any director elected to office solely by the votes of Members other than Declarant, as provided in Section 2 of Article V below, may be removed from office prior to the expiration of his term only upon the vote of a simple majority of the voting power of Members other than Declarant. In the event of death or resignation of a director, his successor may be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. In the event of removal of a director, his successor shall be

selected by a vote of the Members and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any services he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Such nominations may be made from among the Members or nonmembers. Anything herein to the contrary notwithstanding, the first election of the Board shall receive nominations only from the floor at the first annual meeting. Each nominee shall be given a reasonable opportunity to communicate to the Members the nominee's qualifications and the reasons for the nominee's candidacy. Each nominee shall be given a reasonable opportunity to solicit votes and the Members shall be given a reasonable opportunity to choose among the nominees.

Section 2. Election. Election to the Board shall be by secret written ballot. No Member shall have the right to cumulate his votes unless the candidates' names have been placed in nomination prior to the voting and the Member has given notice to the meeting prior to the voting of the Member's intention to cumulate votes. If one Member is entitled to cumulate votes, all Members shall have the right to cumulate votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Anything contained herein to the contrary notwithstanding, at the first election of directors by Members and thereafter for so long as a majority of the voting power of Members is held by Declarant, or so long as there are

two (2) outstanding classes of membership, not fewer than twenty percent (20%) of the directors shall be elected solely by the votes of Members other than Declarant.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held monthly, at such place and hour within the Properties as may be fixed from time to time by resolution of the Board. In the event adequate space is not available within the Properties to hold a meeting of the Board, the meeting shall be held as near the Properties as is reasonably practicable where adequate space is available. Should said meeting day fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of all such regular meetings of the Board shall be posted at a prominent place within the Properties and communicated to the directors not fewer than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Association, or by any two (2) directors other than the president, after the notice is given to each director as stated below.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be delivered personally to the directors or sent to each director by letter mailed first class, certified or registered mail or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the Association or, if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Association is located at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, it shall be so delivered at least seventy-two (72) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such director. Written notice of all special meetings shall also be posted in a manner prescribed for notice of regular meetings not fewer than seventy-two (72) hours prior to the scheduled time of the meeting. Notice of a

meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Attendance. Regular and special meetings of the Board shall be open to all Members; provided, however, that Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and other matters of business of a similar nature. Only members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 5. Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action to be taken or actually taken by the Board shall be given to the Members of the Association within three (3) days after all written consents have been obtained. Said explanation shall be given in the same manner as provided in these Bylaws for the giving of notice of regular meetings of the Board. Failure to give such notice shall not render the action to be taken or actually taken invalid.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board shall have the power to:

(a) cause the Association to act as a "Neighborhood Association" as that term is defined in the Declaration of Covenants, Conditions and Restrictions for The Community of Bernardo Heights recorded in the Office of the County Recorder of San Diego County, California, on September 30, 1983 as File/Page No. 83-319018, as amended.

(b) suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;

(c) exercise for the Association all powers, duties and authorities vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles or the Declaration; provided, however, that the Board shall not have the power to borrow money for the Association, nor to sell property of the Association without the vote or written assent of a majority of the voting power of each class of Members;

(d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(f) maintain any area which the Association has the license or easement to maintain.

Section 2. Duties. It shall be the duty of the Board to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date and/or to bring an action at law against the Owner personally obligated to pay the same;

(d) furnish, or to cause an appropriate officer 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;

(e) procure and maintain adequate fire, casualty, liability and hazard insurance as required by the Declaration, and otherwise adequately insure property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Association to act as a Neighborhood Association as defined and provided in the Declaration of Covenants, Conditions and Restrictions for The Community of Bernardo Heights referred to in Section 1(a) above;

(h) make capital expenditures for and on behalf of the Association; provided, however, that no capital expenditure may be made without the vote or written assent of a majority of the voting power of each class of Members;

(i) enforce the provisions of the Declaration, these Bylaws or any other agreement to which the Association is a party;

(j) contract and pay for goods and services, including legal and accounting services; provided, however, that the term of any service or management contract shall be limited to a duration of one (1) year except a management contract, the terms of which have been approved by the FHA or VA, and shall provide that the Association may terminate such contract for cause upon thirty (30) days written notice thereof; except that a contract with a public utility company for materials or services the rates for which are regulated by the Public Utilities Commission may exceed a term of one (1) year so long as it does not exceed the shortest term for which the public utility will contract at the regulated rate, and a contract for prepaid casualty and/or liability insurance policies may be for a term of not to exceed three (3) years provided that the policy permits short rate cancellation by the Association; provided, however, that any agreement for professional management or any other contract providing for services by Declarant must provide for termination by either party without cause or payment of a termination fee upon ninety (90) days or fewer written notice;

(k) prepare budgets and financial statements for the Association as provided in the Bylaws;

(l) initiate and execute disciplinary proceedings against Members for violations of the provisions of the Articles and Bylaws, the Declaration and the rules and regulations adopted by the Board; and

(m) delegate any of its powers hereunder to others, including committees, officers and employees.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board, a secretary and a chief financial officer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and chief financial officer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the

other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes unless others are so authorized by resolution of the Board.

Vice President

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

Secretary

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

Chief Financial Officer

(d) The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board unless others are so authorized by resolution of the Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy to each of the Members.

Section 9. Compensation. No officer of the Association shall receive compensation for his services performed in the conduct of the business of the Association; provided, however, any officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE IX

COMMITTEES

The Board shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or by his duly appointed representative, and by the holder of any first Mortgage encumbering a Lot. The Declaration, the Articles and the Bylaws shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at a reasonable cost. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;

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

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

Every director of the Association and every director of The Community Association of Bernardo Heights, a California nonprofit mutual benefit corporation, shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties, if any, owned by the Association. The right of inspection by a director shall include the right at his expense to make extracts and copies of documents.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Owner of a Lot is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum, and the Association may

bring an action at law against the Owner personally obligated to pay the same and in addition thereto or in lieu thereof foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Lot.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California corporation.

ARTICLE XIII

AMENDMENTS

Section 1. Amendments. Except as may otherwise be stated in these Bylaws, during the period of time prior to conversion of the Class B membership in the Association to Class A membership, new Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the Members entitled to exercise a majority or more of the voting power of each class of Members of the Association or by the written assent of such Members. After conversion of the Class B membership to Class A membership in the Association, these Bylaws may be amended or repealed by the vote of (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant. Anything herein stated to the contrary notwithstanding, no material amendment to the Bylaws shall be made without the prior written approval of Mortgagees holding first Mortgages encumbering seventy-five percent (75%) of the Lots which are subject to Mortgages; provided further, that so long as there remains a Class B membership in the Association, the VA and the FHA shall have the right to veto any amendments to these Bylaws. "Material amendment" shall mean, for purposes of this Article XIII, any amendments to provisions of these Bylaws governing any of the following subjects:

- (a) The fundamental purpose for which the project was created (such as a change from residential use to a different use).
- (b) Assessments, assessment liens and subordination thereof.
- (c) Property maintenance obligations.

- (d) Insurance and fidelity bonds.
- (e) Reconstruction in the event of damage or destruction.
- (f) Expansion or contraction of the Properties or the addition, annexation or withdrawal of property to or from the Properties.
- (g) Boundaries of any Lot.
- (h) Leasing of Lots.
- (i) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Lot.
- (j) Voting.
- (k) Any provision which, by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

Anything contained in these Bylaws to the contrary notwithstanding, the rights of each director of The Community Association of Bernardo Heights set forth in Article X above may not be amended, modified or rescinded at any time without the prior written consent of the Board of Directors of The Community Association of Bernardo Heights.

Notwithstanding the above provisions, the percentage of the voting power necessary to amend a specific clause or provision in the Bylaws shall not be less than the percentage of affirmative votes necessary for action to be taken under that clause or provision.

Section 2. Conflict Between Documents. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XIV

MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of July and end on the 30th day of June of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

Section 2. Financial Statements. The Board shall cause:

(a) a financial statement (including a balance sheet and income and expense statement) of the affairs of the Association to be made as of the last day of the month closest in time to the date six (6) months following close of escrow for the sale of the first Lot by Declarant to an Owner. Said financial statement shall reflect the financial condition of the Association as of said date and shall summarize the financial transactions in which the Association was involved during the period between the close of the first sale and the date of the financial statement. The financial statement shall include a schedule of assessments received or receivable itemized by Lot and shall include the name of the person or entity assessed. A copy of said financial statement shall be distributed personally or by mail to each of the Members of the Association and, upon written request, to all first Mortgagees, within sixty (60) days after the date of such financial statement.

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

- (1) a balance sheet as of the end of the fiscal year;
- (2) an income and expense statement for the fiscal year;
- (3) a statement of changes in financial position for the fiscal year;
- (4) any information required to be reported under Section 8322 of the California Corporations Code;
- (5) for any fiscal year in which the gross income to the Association exceeds \$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.

The annual report referred to above shall be prepared by a licensee of the California State Board of Accountancy for each fiscal year.

(c) a statement of the Association's policies and practices in enforcing its remedies against Members for default in the payment of annual and special assessments, including the recording and foreclosing of liens against the Member's Lot, to be distributed to Members within sixty (60) days prior to the beginning of each fiscal year.

Section 3. Budget. The Board shall cause a pro forma operating statement (budget) for the Association to be prepared for the second and each succeeding fiscal year of the Association, a copy of which shall be distributed personally or by mail to each of the Members not fewer than forty-five (45) nor more than sixty (60) days prior to the beginning of the fiscal year to which the budget relates. The budget shall include the following information:

(a) The estimated revenue and expenses of the Association on an accrual basis for the next fiscal year.

(b) The amount of the total cash reserves of the Association currently available for contingencies.

(c) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to, major components of property, if any, for which the Association is responsible.

(d) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of property for which the Association is responsible.

Section 4. Voting After Conversion of Membership. Any procedure, action or matter for which these Bylaws require the vote or written assent of a majority of the voting power of each class of Members, shall, after conversion of the Class B membership in the Association to Class A membership, require the vote or written assent of (i) a majority of the voting power of Members of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant.

ARTICLE XV

NOTICE TO LENDERS

Upon the written request of the holder of a first Mortgage encumbering any Lot, the Association shall give to such holder (i) prior written notice of any action of the Association taken in connection with any material amendment to the Declaration, these Bylaws or the Articles, the effectuation of a decision to terminate professional management and the abandonment or termination of the project composed of the Lots; (ii) written notice of any substantial damage to or destruction of any improvement located on a Lot upon such damage or destruction; (iii) written notice of any condemnation or eminent domain proceeding or proposed acquisition in lieu thereof of any Lot or any part thereof,

promptly upon the commencement thereof; and (iv) written notification of any default by the Owner of a Lot encumbered by a first Mortgage, the holder of which requests such notice, in the performance of such Owner's obligations under the Declaration of these Bylaws which is not cured within sixty (60) days.

I, the undersigned, do hereby certify:

1. That I am the incorporator of CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation; and

2. That the foregoing Bylaws, comprising eighteen (18) pages, constitute the Bylaws of said corporation duly adopted by Written Consent of Incorporator dated January 9, 1986.

IN WITNESS WHEREOF, I hereunto subscribe by name and affix the seal of said corporation this 9th day of January, 1986.



A. John Hecht, Incorporator

I, the undersigned, do hereby certify:

1. That I am the incorporator of CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation; and

2. That the following is a true and correct imprint of the corporate seal of said corporation, duly adopted by Written Consent of Incorporator dated January 9, 1986.

IN WITNESS WHEREOF, I hereunto subscribe by name and affix the seal of said corporation this 9th day of January, 1986.



A. John Hecht

A. John Hecht, Incorporator

RESOLUTIONS ADOPTED BY
WRITTEN CONSENT OF INCORPORATOR
OF
CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

January 9, 1986

The undersigned, as the incorporator of CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a corporation organized under the Nonprofit Mutual Benefit Corporation Law of the State of California, being the sole incorporator of said corporation, does by this writing consent to take the following actions and adopt the following resolutions:

WHEREAS, the original Articles of Incorporation of this corporation were filed in the Office of the California Secretary of State on December 5, 1985; and

WHEREAS, a certified copy of said Articles of Incorporation showing the filing as stated has been inserted in the minute book of this corporation; and

WHEREAS, neither the members nor the directors of this corporation have adopted Bylaws for the regulation of its affairs; and

WHEREAS, it is deemed to be in the best interests of this corporation and its members that said Bylaws be certified and adopted by the incorporator as and for the Bylaws of this corporation; and

WHEREAS, it is appropriate for the incorporator to appoint a Board of Directors and to elect officers to take over the management and actions of this corporation; and

WHEREAS, it is deemed to be in the best interests of this corporation and its members that a corporate seal be certified and adopted by the incorporator as the seal of this corporation;

NOW, THEREFORE, BE IT RESOLVED, that the Bylaws, certified by the incorporator be and the same hereby are adopted as and for the Bylaws of this corporation;

RESOLVED, FURTHER, that the Secretary of this corporation be and is hereby directed to insert said Bylaws as so certified in a minute book of this corporation and to see that a copy of said Bylaws, similarly certified, is kept at the principal office for the transaction of business of this corporation;

RESOLVED, FURTHER, that the corporate seal in the form, words and figures presented to the incorporator be and the same is adopted as the seal of this corporation and the following persons are duly appointed and elected the first officers and directors of the corporation, said election to be effective immediately for the term prescribed by the Bylaws of the corporation:

Dennis Ferdig
George Haviar
Don MacKay

President
Vice President
Secretary/Chief
Financial Officer

RESOLVED, FURTHER, that the incorporator hereby resigns immediately.

I direct that this consent be filed with the minutes of the proceedings of the Board of Directors of this corporation.

This consent is executed pursuant to Section 7134 of the Corporations Code of the State of California, which authorizes the incorporator to take any action necessary or proper to perfect the organization of the corporation.

Dated: January 9, 1986.



A. John Hecht, Incorporator

CC&Rs

**Chateau Bernardo
Homeowners
Association**

CHATEAU BERNARDO HOA
c/o PROP. MGMT. CONSULTAN
11770 BERNARDO PLAZA CT # 3
SAN DIEGO CA 92128

THE 1 OF THIS DOCUMENT
WAS RECORDED ON AUG 05, 1999
DOCUMENT NUMBER 1999-0542511
GREGORY J. SMITH, COUNTY RECORDER
SAN DIEGO COUNTY RECORDER'S OFFICE
TIME: 1:50 PM

CHATEAU BERNARDO
HOMEOWNERS' ASSOCIATION

CC&RS AMENDMENT

RECORDED JAN. 9, 1986
DOCUMENT NO. 86-008902

THE ASSOCIATION HAS THE AUTHORITY TO
ESTABLISH A FINE POLICY FOR VIOLATION
OF THE CC&RS AND BY LAWS.

**EXHIBIT A - CERTIFICATE OF ASSOCIATION PRESIDENT
 CERTIFICATION OF PRESIDENT
 AS TO APPROVAL OF
 AMENDMENT TO THE
 DECLARATION OF RESTRICTIONS**

I, Reginald Reeve, declare and state as follows:

1. I certify that I am the President of Chateau Bernardo Homeowners Association, a California nonprofit mutual benefit corporation (hereinafter "Association").
2. This certification is executed, according to the provisions contained in Article X, Section 3 of the Declaration ("Declaration"), as said term is defined in California Civil Code Section 1355, to certify that the amendment requirements of the Declaration have been met.
3. I certify that there are currently ninety-one (91) Living Units in the Project, each of which is considered to have one Owner. Thus, there are ninety-one (91) Owners in the Project.
4. I certify that, according to Section 3, Article X of the Declaration, the written consent of at least seventy-five percent (75%) of the Owners is needed to amend the Declaration.
5. Thus, based on the facts recited in Paragraphs 3 and 4 above, I certify that approval by the Owners of at least sixty-nine (69) Units is needed to amend the Declaration.
6. I certify that, as of the date this document is executed, the following shows the number of written consents completed by the Owners.

Total Written Consents Completed by Owners		
<u>Yes</u>	<u>No</u>	<u>No Response/Abstain</u>
69	18	4

7. Since these totals reflect approval by at least sixty-nine (69) Owners, I certify that the amendment was approved.

On behalf of the Association, I declare under penalty of perjury under the laws of the State of California that the foregoing facts are true and correct. Executed on July 23rd 1999 at San Diego, California.

By: Reginald V. Reeve, President
 Reginald Reeve, President

IN WITNESS WHEREOF, the undersigned, being Declarant herein,
has executed this Amendment to the Conditions, Covenants and
Restrictions of Chateau Bernardo Homeowners' Association on

July 23, 1999.

DECLARANT:

CHATEAU BERNARDO HOMEOWNERS' ASSOCIATION
A California Corporation

By:

President

Stephanie Caldwell
Secretary

(Please Attach Proper Notary Certificate(s) of Acknowledgment)

ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

On 07/23/99 before me, *RACHELLE R ENDERLE*

notary public,

personally appeared *REGINALD V REEVE*

personally known to me

-or-

proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.



Official Notary Seal

Signature of Notary:

Rachelle R. Enderle

OPTIONAL

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
- CORPORATE OFFICERS
Title(s):
- PARTNER(S) LIMITED
- GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER:

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document:
CERTIFICATE OF ASSOCIATION PRESIDENT

Number Of Pages:

2

Date Of Document:

07/23/99

Signer(s) Other Than Named Above:

1

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

CHATEAU BERNARDO HOA

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED

Recording Requested By
and
When Recorded Return To:

McDONALD, HECHT & SOLBERG
Mr. A. John Hecht
1100 Financial Square
600 "B" Street
San Diego, California 92101

This instrument is certified to be a true
and correct copy of that certain instrument
dated Jan. 9, 1986 and recorded in
Book 86-008905

Janice Brown
By Authorized Signature

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

CHATEAU BERNARDO
PLANNED UNIT DEVELOPMENT

TABLE OF CONTENTS

	<u>PAGE</u>
RECITALS	1
ARTICLE I	
DEFINITIONS	
Section 1	2
Section 2	2
Section 3	2
Section 4	2
Section 5	2
Section 6	2
Section 7	3
Section 8	3
Section 9	3
Section 10	3
Section 11	3
Section 12	3
Section 13	3
Section 14	3
Section 15	3
Section 16	3
Section 17	3
Section 18	4
Section 19	4
Section 20	4
Section 21	4
Section 22	4
Section 23	4
Section 24	4
Section 25	4
ARTICLE II	
COMMUNITY ASSOCIATION	
Section 1	4
Section 2	4
Section 3	5
Section 4	5
Section 5	6
ARTICLE III	
MEMBERSHIP AND VOTING RIGHTS IN ASSOCIATION	
Section 1	6
Section 2	6
ARTICLE IV	
COVENANT FOR MAINTENANCE ASSESSMENTS TO ASSOCIATION	
Section 1	7
Section 2	7
	7

		<u>PAGE</u>
Section 3	Maximum Annual Assessment	8
Section 4	Special Assessments	8
Section 5	Notice and Quorum for Any Action Authorized Under Section 3 and Section 4	9
Section 6	Uniform Rate of Assessment	9
Section 7	Date of Commencement of Annual Assessments; Due Dates	9
Section 8	Effect of Non-Payment of Assess- ments; Remedies of Association	10
Section 9	Subordination of the Lien to First Mortgages	11
Section 10	Estoppel Certificate	11
Section 11	Personal Liability of Owner	11
Section 12	Exempt Property	11
ARTICLE V	USE RESTRICTIONS	11
Section 1	Residential Purposes Only	11
Section 2	New Building Only	12
Section 3	Minimum Floor Area and Height of Dwellings	12
Section 4	Balconies and Decks	12
Section 5	No Second-Hand Materials, Painting Required	12
Section 6	Diligence in Construction Required	12
Section 7	Trees	12
Section 8	Fences, Hedges and Rails	12
Section 9	No Antennae	12
Section 10	Drying Yards	13
Section 11	No Tents, Shacks or Vehicles	13
Section 12	No Signs	13
Section 13	No Wells	13
Section 14	Animal Restrictions	13
Section 15	No Commercial Activity	13
Section 16	Drainage	14
Section 17	Slope Control, Use and Maintenance	14
Section 18	No Subdivision of Lots	14
Section 19	Leasing of Lots	14
Section 20	Equipment and Structure Repair	15
Section 21	Front Yard Landscaping	15
ARTICLE VI	INSURANCE	15
ARTICLE VII	MAINTENANCE RESPONSIBILITIES	16
Section 1	Association Maintenance	16
Section 2	Owner Maintenance	16
Section 3	Association's Right to Repair Neglected Lots	16

	<u>PAGE</u>
ARTICLE VIII ANNEXATION	
Section 1 By Association	17
Section 2 By Declarant	17
	17
ARTICLE IX RIGHTS OF LENDERS	
Section 1 Payments of Taxes or Premiums by First Mortgagees	17
Section 2 Priority of Lien of Mortgage	17
Section 3 Curing Defaults	18
Section 4 Approval of First Mortgagees	18
Section 5 Professional Management	18
Section 6 Notice to Eligible Mortgagees	19
Section 7 Documents to be Available	19
Section 8 Conflicts	19
	19
ARTICLE X GENERAL PROVISIONS	
Section 1 Enforcement	20
Section 2 Severability	20
Section 3 Amendments	20
Section 4 Extension of Declaration	20
Section 5 FHA and VA Approval	21
Section 6 Encroachment Easement	22
Section 7 Litigation	22
	22
SUBORDINATION AGREEMENT	

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made as of December 9, 1985, by BERNARDO HEIGHTS JOINT VENTURE, a general partnership (hereinafter referred to as "Declarant"), with reference to the following

RECITALS:

A. Declarant is the owner of that certain real property located in The City of San Diego, County of San Diego, State of California, which is more particularly described as:

Lots 1 through 91, inclusive, of BERNARDO HEIGHTS UNIT NO. 6 according to Map thereof No. 9647 filed in the Office of the County Recorder of San Diego County, California.

B. The property described in Recital A above is a planned unit residential development and is planned to be developed in three (3) phases as follows:

<u>Phase</u>	<u>Residential Lots</u>	<u>Number of Residential Lots</u>
1	42-70	29
2	13-41	29
3	1-12; 71-91	<u>33</u>
		91

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

C. Each Owner of a Lot will be a member of CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation ("Association"). The Association is formed to be the Neighborhood Association for the Lots as described in the "Community Declaration" defined below.

D. Before selling any of the residential Lots, Declarant wishes to impose on each the following plan of covenants, conditions and restrictions.

NOW, THEREFORE, Declarant hereby certifies and declares and does hereby establish the following general plan for the protection and benefit of all of the real property described above and has fixed and does hereby fix the following protective covenants, conditions and restrictions upon each and every ownership interest in the real property described as Phase 1 above and, upon annexation, each additional phase, under which said covenants, conditions and restrictions each ownership interest therein shall be hereafter, held, used, occupied, leased, sold, encumbered, conveyed and/or transferred. Each and all of said covenants, conditions and restrictions are for the purpose of protecting the value and desirability of and shall inure to the benefit of all of the real property described as Phase 1 above and, upon annexation, each additional phase, and shall run with and be binding upon and pass with Phase 1 and each and every ownership interest therein and shall inure to the benefit of, apply to and bind the respective successors in title or interest of Declarant.

ARTICLE I

DEFINITIONS

Section 1. "Articles" shall mean and refer to the Articles of Incorporation of the Association as they may from time to time be amended.

Section 2. "Association" shall mean and refer to CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation, its successors and assigns.

Section 3. "Board" shall mean and refer to the Board of Directors of the Association.

Section 4. "Bylaws" shall mean and refer to the Bylaws of the Association as they may from time to time be amended.

Section 5. "Community" shall mean and refer to the Community of Bernardo Heights of which the Properties is a constituent

part, being all of the real property subject to the Community Declaration or annexed thereto.

Section 6. "Community Architectural Committee" shall mean and refer to the Community Architectural Committee established pursuant to Article VIII of the Community Declaration.

Section 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.

Section 8. "Community Assessments" shall mean and refer to the assessments levied by the Community Association pursuant to the Community Declaration.

Section 9. "Community Association" shall mean and refer to The Community Association of Bernardo Heights as defined and established in the Community Declaration.

Section 10. "Community Board" shall mean and refer to the Board of Directors of the Community Association.

Section 11. "Community Bylaws" shall mean and refer to the Bylaws of the Community Association duly adopted by the Community Board.

Section 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.

Section 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.

Section 14. "Community Member" shall mean and refer to any entity holding membership in the Community Association.

Section 15. "Community Rules" shall mean the Rules adopted by the Community Board pursuant to Section 3.8 of the Community Declaration.

Section 16. "Declarant" shall mean and refer to BERNARDO HEIGHTS JOINT VENTURE, a general partnership, its successors and assigns.

Section 17. "Declaration" shall mean and refer to this enabling Declaration of Covenants, Conditions and Restrictions as it may from time to time be amended.

Section 18. "FHA" shall mean and refer to the Federal Housing Administration.

Section 19. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties.

Section 20. "Member" shall mean and refer to an Owner as defined in Section 23, Article I of the Declaration, who is entitled to membership in the Association as provided in the Declaration.

Section 21. "Mortgage" shall mean and refer to a Deed of Trust as well as a mortgage.

Section 22. "Mortgagee" shall mean and refer to the beneficiary of a Deed of Trust as well as the mortgagee of a mortgage encumbering a Lot.

Section 23. "Owner" shall mean and refer to the record owners, whether one (1) or more persons or entities, of fee simple title to any Lot which is part of the Properties, including contract sellers, but excluding those having such interests merely as security for the performance of an obligation.

Section 24. "Properties" shall mean and refer to that certain real property described in Recital A to the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 25. "VA" shall mean and refer to the Veterans Administration.

ARTICLE II

COMMUNITY ASSOCIATION

Section 1. Easement to Community Association. The officers, agents, employees and independent contractors of the Community Association shall have a nonexclusive easement to enter upon the Properties, 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.

Section 2. Subordination of Assessment Lien. 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.

Section 3. Community Association Assessments. 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.

Section 4. Enforcement. 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 a person who may enforce the provisions of this Declaration pursuant to Article X hereof. 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 cove-

nants, shall be entitled to all costs incurred in connection therewith, including, without limitation, reasonable attorney's fees.

Section 5. Supremacy of Community Declaration. 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 covenants, conditions, restrictions and provisions 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 covenants, conditions, restrictions or provisions of the Community Declaration, the Community Bylaws or the Community Articles, then, in such event, the covenants, conditions, restrictions and provisions of the Community Declaration, the Community Bylaws and the Community Articles shall govern and prevail.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN ASSOCIATION

Section 1. Membership. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. Class B Member(s) shall be Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur:

(i) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(ii) two (2) years following the date of original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a phase of development of the Properties; or

(iii) four (4) years following the date of the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for Phase 1 of the development of the Properties.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS TO ASSOCIATION

Section 1. Creation of Lien and Personal Obligation for Assessments. Declarant, for each Lot owned within the Properties, 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, is deemed to covenant and agrees to pay to the Association: (a) annual assessments or charges, and (b) special assessments, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorney's fees, shall (except as otherwise provided in Section 4 below) be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made, the lien to be effective upon recordation of a notice of delinquent assessments. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title, unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties, and to reimburse the Association for the costs incurred in maintaining any area the Association has the license or easement to maintain and in bringing an Owner into compliance

with the Articles, Bylaws, Declaration and rules and regulations adopted by the Board.

Section 3. Maximum Annual Assessment.

(a) Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$100.00 per Lot.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year without the vote of the membership of the Association in an amount not more than the greater of (i) ten percent (10%), or (ii) the percentage by which the United States Bureau of Labor Statistics San Diego Consumer Price Index for All Urban Consumers has increased as of the date of the increase over the level of the Index as of the date the maximum annual assessment was last established, but in no event more than twenty percent (20%).

(c) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the amount provided in Subparagraph (b) above by the vote or written assent of fifty-one percent (51%) of each class of Members of the Association; provided, however, that following the conversion of the Class B membership to Class A membership, the maximum annual regular assessment may be increased more than the amount provided in Subparagraph (b) above by the vote or written assent of (i) a majority of the voting power of the Members of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant.

(d) The Board may fix the annual assessment at an amount not in excess of the maximum.

Section 4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only, provided that any such assessment shall have the vote or written assent of fifty-one percent (51%) of each class of Members; provided, however, that following the conversion of the Class B membership to Class A membership, any such assessment shall have the vote or written assent of (i) a majority of the voting power of Members of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant. The Association may also levy a special assessment against any Member to reimburse the Association for costs incurred in bringing a Member and his Lot into compliance with the provisions of the Declaration, Articles, Bylaws and

rules and regulations adopted by the Board; provided, however, such special assessment (other than a special assessment assessed to pay the cost of collecting assessments) shall not constitute a lien against the Member's Lot. No such assessment shall be effective unless the Member has been given fifteen (15) days' prior notice of the assessment and the reasons therefor and the Member has been given an opportunity to be heard by the Board, orally or in writing, not less than five (5) days prior to the effective date of the assessment. Notice may be given to the Member by any method reasonably calculated to provide actual notice, but if given by mail must be given by first-class or registered mail sent to the last address of the Member shown on the records of the Association.

Section 5. Notice and Quorum for Any Action Authorized Under Section 3 and Section 4. Any action authorized under Section 3 or Section 4 requiring the vote of the Members, shall be taken at a meeting called for that purpose, written notice of which shall be sent to all Members not less than ten (10) nor more than ninety (90) days in advance of the meeting. A quorum for such meeting shall be fifty-one percent (51%) of each class of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half ($\frac{1}{2}$) of the required quorum for the preceding meeting. If the proposed action is favored by a majority of the votes cast at such meeting, but such vote is less than the requisite fifty-one percent (51%) of each class of Members, Members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by the appropriate officer of the Association not later than thirty (30) days from the date of such meeting.

Section 6. Uniform Rate of Assessment. Both annual and special assessments (other than a special assessment levied against an Owner to bring the Owner or his Lot into compliance with the Declaration, Articles, Bylaws or rules and regulations of the Board) shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

Section 7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots in Phase 1 on the first day of the month following the conveyance of the first Lot in Phase 1 to an Owner. The annual assessments provided for herein shall commence as to all Lots in each subsequent phase on the first day of the month following the conveyance of the first Lot in the subsequent phase to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against

each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board.

Section 8. Effect of Non-Payment of Assessments; Remedies of Association. 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. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of ten percent (10%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, and in addition thereto, or in lieu thereof, may foreclose the lien against the Lot.

Any assessment not paid within thirty (30) days after the due date shall be delinquent. Except as otherwise provided in Section 4 above, the amount of any such delinquent assessment plus any other charges thereof, as provided for in this Declaration, shall be and become a lien upon the Lot when the Association causes to be recorded with the County Recorder a Notice of Delinquent Assessment, which shall state the amount of such delinquent assessment and such other charges thereon as may be authorized by this Declaration, a description of the Lot against which the same has been assessed and the name of the record owner thereof. Such notice shall be signed by the President or Vice President and the Secretary or Assistant Secretary of the Association. Upon payment of such delinquent assessment and charges in connection with which such notice has been so recorded, or other satisfaction thereof, the Association shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof.

Unless sooner satisfied and released, or the enforcement thereof initiated as hereinafter provided, such lien shall expire and be of no further force and effect one (1) year following the date of recordation of the Notice of Delinquent Assessment. The one (1) year period may be extended by the Association for not to exceed one (1) additional year by recording a written extension thereof.

Such lien may be enforced by sale by the Association after failure of the Owner to pay such assessment in accordance with its terms, such sale to be conducted in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the California Civil Code, applicable to the exercise of powers of sale in mortgages or in any other manner permitted by law. The Association shall have the power to purchase the Lot at the foreclosure sale and to hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid assessments, rent and attor-

ney's fees shall be maintainable without foreclosing or waiving the lien securing the same.

Section 9. Subordination of the Lien to First Mortgages. The lien of assessment herein shall be subordinate to the lien of any first Mortgage upon any Lot, and 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 or other purchaser of a Lot obtains title to the same as a result of foreclosure, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer, except for a share of such charges or assessments resulting from a reallocation of such charges or assessments which are made against all Lots.

Section 10. Estoppel Certificate. The Association shall furnish or cause an appropriate officer 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.

Section 11. Personal Liability of Owner. No Member may exempt himself from personal liability for assessments, nor any part thereof, levied by the Association, nor release the Lot owned by him from the liens and charges hereof by abandonment of his Lot.

Section 12. Exempt Property. All properties dedicated to and accepted by a local public authority, and all properties owned by a charitable non-profit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessment created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

ARTICLE V

USE RESTRICTIONS

Section 1. Residential Purposes Only. No Lot shall be used, except for residential purposes, and no building or buildings shall be erected, constructed, altered or maintained on any Lot other than one (1) single-family dwelling; provided, however, Declarant may use any of the Lots owned by it for model homes and

sales office purposes for a period of five (5) years following the close of sale by Declarant of the first Lot or until the close of sale by Declarant of all Lots, whichever shall first occur.

Section 2. New Building Only. No building of any kind shall be moved from any other place onto any Lot, nor from one Lot to another Lot, without the prior written permission of the Board.

Section 3. Minimum Floor Area and Height of Dwellings. The floor area of the main structure located on any Lot, exclusive of open porches, patios and exterior stairways, shall not be less than 1,000 square feet.

Section 4. Balconies and Decks. No balcony or deck on any Lot shall be higher above the ground than the highest dwelling floor level, except with the written approval of the Board.

Section 5. No Second-Hand Materials, Painting Required. No second-hand materials shall be used in the construction of any building or other structure on any Lot without the prior written approval of the Board. All buildings and fences on any Lot which are of frame construction shall be painted or stained upon completion with the paint or stain coverage (including the number of coats) as provided in the approval of the plans therefor by the Board.

Section 6. Diligence in Construction Required. The work of constructing and erecting any building or other structure on any Lot shall be prosecuted diligently from the commencement thereof, and the same shall be completed within a reasonable time in accordance with the requirements herein contained. No outbuilding shall be completed prior to the completion of the dwelling, except that temporary storage and convenience facilities may be erected for workmen engaged in building a dwelling on the Lot, but such temporary facilities shall be removed as soon as the dwelling is completed.

Section 7. Trees. Before planting any trees, the proposed location of the trees shall be approved in writing by the Board. The Owner of a Lot shall trim any trees located on the Lot as directed by the Board.

Section 8. Fences, Hedges and Rails. Where trellises, fences or hedges are allowed, review by the Board in relation to normal enjoyment of view by other Lot Owners shall be required.

Section 9. No Antennae. There shall be no outside television or radio antennae constructed, installed or maintained on any Lot for any purpose whatsoever.

Section 10. Drying Yards. No drying yards shall be permitted unless screened from all views exterior to the Lot on which the drying yard is located by fence, hedge or shrubbery, which screening and the adequacy thereof shall be subject to the approval of the Board.

Section 11. No Tents, Shacks or Vehicles. No tent, shack, trailer, basement or outbuilding shall at any time be used on any Lot as a residence, either temporarily or permanently, nor shall any residence of a temporary character be constructed, placed or erected on any Lot. No boat, camper, recreational vehicle, trailer, van, moped, motorcycle or motor vehicle of any type shall be stored or parked on any Lot, except in the garage, the door to which shall be kept closed except upon entering or leaving the garage. No garage shall be converted to any use which prevents the storage of two (2) standard automobiles therein and no garage shall be used for living purposes.

Section 12. No Signs. No sign other than one (1) sign of customary and reasonable dimensions advertising a Lot for sale or lease and numerals identifying the address of the residence on the Lot shall be erected or displayed upon any of said Lots or upon any building or other structure thereon without the prior written permission of the Board. No sign of a permanent nature shall be allowed except house numbers indicating the street address of such Lots. Anything herein to the contrary notwithstanding, so long as Declarant retains ownership of any Lot, but not longer than five (5) years following the close of sale by Declarant of the first Lot, it may erect such signs, poles and flags as it reasonably determines is necessary for the sales promotion of such Lots. All signs shall be subject to the regulations set forth in The City of San Diego Municipal Code.

Section 13. No Wells. 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 500 feet below the surface of the land.

Section 14. Animal Restrictions. No turkeys, geese, chickens, ducks, pigeons or fowl of any kind, goats, rabbits, hares, horses or animals usually termed "farm animals" shall be kept or allowed to be kept on any Lot.

Section 15. No Commercial Activity. No commercial business shall be conducted on any Lot, and nothing shall be done upon any Lot which may become an annoyance or nuisance to the neighborhood or other Lot Owners; provided, however, that ordinary and usual

techniques of construction of improvements permitted hereunder shall not be deemed a nuisance. No external speakers, bells or horns shall be permitted on any Lot.

Section 16. Drainage. No Owner of a Lot shall in any way interfere with or change the established drainage pattern over his Lot from adjoining or 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 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.

Section 17. Slope Control, Use and Maintenance. Each Lot Owner will 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.

Section 18. No Subdivision of Lots. 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.

Section 19. Leasing of Lots. Each Owner shall have the right to lease his Lot, provided that all such leases must be in writing and shall provide that the lease is subject in all respects to the provisions of this Declaration and to the Articles and Bylaws, and that any failure of the lessee to comply with the provisions of each such document shall constitute a default under the lease. A lessee shall have no obligation to the Association to pay assessments imposed by the Association nor shall any lessee have any voting rights in the Association. No Owner may lease his Lot or improvements thereon for hotel, motel or transient purposes. Any lease which is either for a period of fewer than thirty (30) days or pursuant to which the lessor provides any services normally associated with a hotel, shall be deemed to be for transient or hotel purposes.

Section 20. Equipment and Structure Repair. No automobile or other equipment may be dismantled, repaired or serviced on any Lot. No structure on any Lot shall be permitted to fall into disrepair and all structures shall at all times be kept in good condition and repair, and adequately painted or otherwise finished.

Section 21. Front Yard Landscaping. Within one hundred eighty (180) days after the close of each 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 in accordance with acceptable standards in the area. 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.

ARTICLE VI

INSURANCE

The Association shall keep all personalty owned by the Association insured with coverage in the maximum insurable fair market value of such personalty as determined annually by an insurance carrier selected by the Association. Insurance proceeds for personalty owned by the Association shall be payable to the Association. In the event of any loss, damage or destruction, the Association shall cause the same to be replaced, repaired or rebuilt. In the event the cost of such replacement, repair or rebuilding of (i) exceeds the insurance proceeds available therefor, or (ii) no insurance proceeds are available therefor, the deficiency or full cost thereof shall be assessed to the Owners as a special assessment pursuant to Section 4 of Article IV above. In the event of any loss, damage or destruction to improvements on a Lot, the Owner of the Lot shall cause the same to be replaced, repaired or rebuilt.

The Association shall procure and keep in force public liability insurance in the name of the Association and the Owners against any liability for personal injury or property damage in an amount not less than \$1,000,000.00 in indemnity against the claims of one (1) or more persons in one (1) accident or event, and not less than \$100,000.00 for damage to property.

The Association shall maintain a fidelity bond in an amount equal to one-fourth ($\frac{1}{4}$) of the annual assessments, plus reserves, naming the Association as obligee and insuring against loss by reason of the acts of the Board, officers and employees of the

Association, and any management agent and its employees, whether or not such persons are compensated for their services.

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 cancellable by the insurer without first giving at least ten (10) days' prior notice in writing to the Association, and (ii) contain a waiver of subrogation by the insurer(s) against the Association, Board and Owners.

Anything contained herein to the contrary notwithstanding, the Association shall maintain such insurance coverage as may be required by the Federal National Mortgage Association ("FNMA") so long as FNMA holds a mortgage on or owns any Lot.

ARTICLE VII

MAINTENANCE RESPONSIBILITIES

Section 1. Association Maintenance. The Association shall have the right to enter onto any Lot (but not within the dwelling thereon) as may be necessary for the construction, maintenance or emergency repair, if necessary, for the benefit of the Owners in common. Any damage caused to a Lot by entry of the Association shall be repaired by the Association at its expense. The Association shall also have the right to maintain any area in which it has been granted a license or easement for maintenance purposes, including the right to maintain entry monumentation for the project located on Lot 1 of BERNARDO HEIGHTS UNIT NO. 6, Map No. 9647.

Section 2. Owner Maintenance. Each Owner shall keep and maintain in good repair and appearance all portions of his Lot and improvements thereon, including, but not limited to, any fence or wall which is located thereon. The Owner of each Lot shall water, weed, maintain and care for the landscaping located on his Lot so that the same presents a neat and attractive appearance.

Section 3. Association's Right to Repair Neglected Lots. In the event an Owner of any Lot should fail to maintain his Lot and improvements situated thereon in a manner satisfactory to the Board, the Association, after approval by two-thirds (2/3) vote of the Board, shall have the right through its agents and employees, to enter on said Lot and to repair, maintain and restore the Lot and exterior of the building and any other improvements erected thereon. However, no entry into a dwelling unit may be made without the consent of the Owner, and such entry shall be made only after not less than three (3) days notice has been given to the Owner. Such entry shall be made with as little inconvenience to the Owner as possible

and any damage caused thereby shall be repaired by the Association. The cost of such exterior maintenance shall be added to and become a part of the assessment to which such Lot is subject. There is hereby created an easement in favor of the Association to enter onto each Lot which is subject to assessment hereunder to provide maintenance as hereinabove stated, subject to the foregoing notice and consent requirements.

ARTICLE VIII

ANNEXATION

Section 1. By Association. Additional residential property may be annexed to the Properties and to the Declaration upon the vote or written assent of two-thirds (2/3) 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.

Section 2. By Declarant. Any of the real property described in Recital B to this Declaration 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 Properties. The sequence of annexation need not follow the sequence described in Recital B; provided, however, that the FHA and VA shall have the right to determine that the annexation is in accord with any general plan approved by each.

ARTICLE IX

RIGHTS OF LENDERS

Section 1. Payments of Taxes or Premiums by First Mortgagees. First Mortgagees may, jointly or severally, pay taxes or other charges which are in default and which may or have become a charge against property owned by the Association, unless such taxes or charges are separately assessed against the Owners, in which case, the rights of first Mortgagees shall be governed by the provisions of their deeds of trust. First Mortgagees may, jointly or severally, also pay overdue premiums on casualty insurance policies, or secure a new casualty insurance coverage on the lapse of a policy for property owned by the Association, and first Mortgagees making such payments shall be owed immediate reimbursement thereof from the Association. Entitlement to such reimbursement shall be reflected in an agreement in favor of any first Mortgagee who requests the same to be executed by the Association.

Section 2. Priority of Lien of Mortgage. No breach of the covenants, conditions or restrictions herein contained shall affect, impair, defeat or render invalid the lien or charge of any first Mortgage made in good faith and for value encumbering any Lot, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Lot.

Section 3. Curing Defaults. A Mortgagee who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 4. Approval of First Mortgagees. Unless the Mortgagees of first Mortgages encumbering sixty-seven percent (67%) or more of the Lots which are subject to a Mortgage have given their prior written approval, the Association shall not be entitled to:

(a) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any real property owned by the Association. The granting of easements for public utilities or for other public purposes shall not be deemed a transfer within the meaning of this Subsection.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

(c) By act or omission, change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or exterior appearance of residences, the exterior maintenance of residences, the maintenance of walks or common fences and driveways, or the upkeep of lawns and plantings in the project.

(d) Fail to maintain fire and extended coverage insurance on real property owned by the Association on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost).

(e) Use hazard insurance proceeds for losses for other than the repair, replacement or reconstruction of property damaged or lost.

Section 5. Professional Management. When professional management has been previously required by any eligible Mortgage holder, whether such entity became an eligible Mortgage holder at that time or later, any decision to establish self-management by the Association shall require the prior consent of at least sixty-seven percent (67%) of the voting power of the Association and the approval of eligible holders of Mortgages on Lots which have at least fifty-one percent (51%) of the votes of Lots subject to Mortgages of eligible Mortgage holders.

Section 6. Notice to Eligible Mortgagees. Upon written request to the Association identifying the name and address of the holder and the Lot number or address, any eligible Mortgage holder will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the project or any Lot on which there is a first Mortgage held by such eligible Mortgage holder.

(b) Any delinquency in the payment of assessments or charges owed by an Owner subject to a first Mortgage held by such eligible holder which remains uncured for a period of sixty (60) days.

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

(d) Any proposed action which would require the consent of a specified percentage of eligible Mortgage holders as specified above.

Section 7. Documents to be Available. The Association shall make available to Owners and Mortgagees, and holders, insurers or guarantors of any first Mortgage, current copies of the Declaration, the Bylaws, other rules concerning the project and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances. The holders of first Mortgages encumbering fifty-one percent (51%) or more of the Lots subject to a Mortgage shall be entitled to have an audited statement for the immediately preceding fiscal year prepared at their expense if one is not otherwise available. Any such financial statement so requested shall be furnished within a reasonable time following such request.

Section 8. Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of this Declaration, the provisions of this Article shall control.

ARTICLE X

GENERAL PROVISIONS

Section 1. Enforcement. The Association, Declarant and any Owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration. Failure by the Association, Declarant or any Owner to enforce any covenants or restrictions herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Should any provision in this Declaration be void or become invalid or unenforceable in law or equity by judgment or court order, the remaining provisions hereof shall be and remain in full force and effect.

Section 3. Amendments. Except as may otherwise be stated in this Declaration, during the period of time prior to conversion of the Class B membership in the Association to Class A membership, this Declaration may be amended at any time and from time to time by an instrument in writing signed by the Association's secretary certifying that at least seventy-five percent (75%) of the voting power of each class of Members of the Association have approved the amendment, any which amendment shall become effective upon the recording thereof with the Office of the County Recorder of San Diego County, California. After conversion of the Class B membership in the Association to Class A membership, the Declaration may be amended at any time and from time to time by an instrument in writing signed by the Association's secretary certifying that at least (i) seventy-five percent (75%) of the total voting power of the Association, and (ii) at least seventy-five percent (75%) of the voting power of Members of the Association other than Declarant have approved the amendment. Anything herein stated to the contrary notwithstanding, no material amendment may be made to this Declaration without the prior written consent of Mortgagees of first Mortgages encumbering seventy-five percent (75%) or more of the Lots within the Properties which are subject to a Mortgage. "Material amendment" shall mean, for purposes of this Section 3, any amendments to provisions of this Declaration governing any of the following subjects:

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

(b) Assessments, assessment liens and subordination thereof.

- (c) The reserve for repair and replacement of property owned by the Association.
- (d) Property maintenance obligations.
- (e) Casualty and liability insurance and fidelity bonds.
- (f) Reconstruction in the event of damage or destruction.
- (g) Leasing of Lots.
- (h) The boundaries of any Lot.
- (i) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Lot.
- (j) Voting.
- (k) Expansion or contraction of the Properties or the addition, annexation or withdrawal of property to or from the Properties.
- (l) Any provision which, by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

Anything contained in this Declaration to the contrary notwithstanding, Sections 5 through 15, inclusive, of Article I and Sections 1 through 5, inclusive, of Article II of this Declaration may not be amended, modified or rescinded without the prior written consent of the Community Board, and no such amendment, modification or rescission shall be effective without recording the 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 section 6.1 of the Community Declaration.

Section 4. Extension of Declaration. Each and all of these covenants, conditions and restrictions shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which date they shall automatically be extended for successive periods of ten (10) years, unless the Owners have executed and recorded at any time within six (6) months prior to the end of said twenty (20) year period, or within six (6) months prior to the end of any such ten (10) year period, in the manner required for a conveyance of real property, a written instrument in which it is agreed that said restrictions

shall terminate at the end of said twenty (20) year period or at the end of any such ten (10) year period.

Section 5. FHA and VA Approval. As long as there is a Class B membership in the Association, the following actions will require the prior approval of the FHA and the VA: Annexation of additional property to the Properties, mergers and consolidations, special assessments and amendment of this Declaration.

Section 6. Encroachment Easement. Each Owner of a Lot is granted an easement over adjoining Lots for the purpose of accommodating encroachments due to design, construction, engineering errors, errors in construction, settlement or shifting of the building, roof overhangs, architectural or other appendants and drainage of water from roofs. There shall be easements for the maintenance of said encroachments so long as they shall exist; provided, however, that no such easement be created in favor of an Owner if the encroachment occurred due to the willful misconduct of the Owner. In the event a structure on any Lot is partially or totally destroyed and then rebuilt or repaired, the minor encroachments over adjoining Lots shall be permitted and there shall be easements for maintenance of such encroachments so long as they shall exist.

Section 7. Litigation. 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 attorney's fees as the Court deems reasonable.

IN WITNESS WHEREOF, the undersigned, being Declarant herein, has set its hand and seal as of the date first hereinabove written.

BERNARDO HEIGHTS JOINT VENTURE,
a general partnership

BY: GREAT AMERICAN DEVELOPMENT
COMPANY, a California
corporation

By Robert Weiss VP

By Cus Lopez A.V.P.

BY: PACIFIC SCENE, INC., a
California corporation,

By [Signature] V.P.

By [Signature]

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

)
) ss.
)

On this 2th day of JANUARY, 1980, before me,
ANNA D. PERALTA, a Notary Public in and for said
state, personally appeared Robert Wessel, known to me
(or proved to me on the basis of satisfactory evidence) to be the
VICE President, and CUSTAVO C. CRIZO, known
to me (or proved to me on the basis of satisfactory evidence) to
be the 1st. Vice President Secretary of GREAT AMERICAN DEVELOPMENT
COMPANY, the corporation that executed the within instrument and
known to me to be the persons who executed the within instrument
on behalf of said corporation, said corporation being known to me
to be one of the partners of BERNARDO HEIGHTS JOINT VENTURE, the
general partnership that executed the within instrument and
acknowledged to me that such corporation executed the same as
such partner and that such partnership executed the same.

WITNESS my hand and official seal.

[Signature]
NOTARY PUBLIC



STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

)
) ss.
)

On this 17th day of December, 1985, before me, LEANN W. CARLOS, a Notary Public in and for said state, personally appeared SCOTT W. PARKER, known to me (or proved to me on the basis of satisfactory evidence) to be the Vice President, and DENNIS M. FERDIG, known to me (or proved to me on the basis of satisfactory evidence) to be the Vice President Secretary of PACIFIC SCENE, INC., the corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said corporation, said corporation being known to me to be one of the partners of BERNARDO HEIGHTS JOINT VENTURE, the general partnership that executed the within instrument and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

WITNESS my hand and official seal.

Leann W. Carlos
NOTARY PUBLIC



BYLAWS
OF
CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

TABLE OF CONTENTS

		<u>PAGE</u>
ARTICLE I	NAME AND LOCATION	1
ARTICLE II	DEFINITIONS	1
Section 1	Articles	1
Section 2	Association	1
Section 3	Board	1
Section 4	Bylaws	1
Section 5	Declarant	1
Section 6	Declaration	1
Section 7	FHA	2
Section 8	Lot	2
Section 9	Member	2
Section 10	Mortgage	2
Section 11	Mortgagee	2
Section 12	Owner	2
Section 13	Properties	2
Section 14	VA	2
ARTICLE III	MEETINGS OF MEMBERS AND MEMBERSHIP RIGHTS	2
Section 1	Annual Meetings	2
Section 2	Special Meetings	3
Section 3	Notice of Meetings	3
Section 4	Quorum	3
Section 5	Proxies	4
Section 6	Presumption of Notice	4
Section 7	Consent of Absentees	4
Section 8	Action Without Meeting	4
Section 9	Membership Rights	4
ARTICLE IV	SELECTION AND TERM OF OFFICE OF DIRECTORS	5
Section 1	Number	5
Section 2	Term of Office	5
Section 3	Removal	5
Section 4	Compensation	6
ARTICLE V	NOMINATION AND ELECTION OF DIRECTORS	6
Section 1	Nomination	6
Section 2	Election	6
ARTICLE VI	MEETINGS OF DIRECTORS	7
Section 1	Regular Meetings	7
Section 2	Special Meetings	7

		<u>PAGE</u>
Section 3	Quorum	8
Section 4	Attendance	8
Section 5	Action Without Meeting	8
ARTICLE VII	POWERS AND DUTIES OF THE BOARD OF DIRECTORS	
Section 1	Powers	8
Section 2	Duties	9
ARTICLE VIII	OFFICERS AND THEIR DUTIES	11
Section 1	Enumeration of Officers	11
Section 2	Election of Officers	11
Section 3	Term	11
Section 4	Special Appointments	11
Section 5	Resignation and Removal	11
Section 6	Vacancies	11
Section 7	Multiple Offices	11
Section 8	Duties	12
Section 9	Compensation	12
ARTICLE IX	COMMITTEES	13
ARTICLE X	BOOKS AND RECORDS	13
ARTICLE XI	ASSESSMENTS	13
ARTICLE XII	CORPORATE SEAL	14
ARTICLE XIII	AMENDMENTS	14
Section 1	Amendments	14
Section 2	Conflict Between Documents	15
ARTICLE XIV	MISCELLANEOUS	15
Section 1	Fiscal Year	15
Section 2	Financial Statements	15
Section 3	Budget	17
Section 4	Voting After Conversion of Membership	17
ARTICLE XV	NOTICE TO LENDERS	17



THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS

April 22, 1991

Ralph Young, President
Chateau Bernardo
11942 Avenida Consentido
San Diego, CA 92128

Dear Ralph,

At the April 17, 1991 Community Association Board of Directors meeting, the By-law revisions you submitted for Chateau Bernardo were approved.

A copy of the minutes for that meeting will be forwarded to you prior to the May CABH Board meeting for your Neighborhood Association file.

Sincerely,

Glady Durham
Manager

cc: Fern Einhorn, Property Manager



PROPERTY MANAGEMENT CONSULTANTS, INC.

3465 CAMINO DEL RIO SOUTH SUITE 202
SAN DIEGO, CA 92108 (619) 282-4900

March 18, 1991

Community Association of Bernardo Heights
Bernardo Heights Community Center
16150 Bernardo Heights Parkway
San Diego CA 92128

RE: CHATEAU BERNARDO HOMEOWNERS' ASSOCIATION

To Whom It May Concern:

I am writing on behalf of the Board of Directors.

In January, 1990, and again in January, 1991, the homeowners approved several By-laws revisions.

We are enclosing a copy of these By-laws Revisions for your files.

Sincerely yours,

Fern Einhorn
Property Manager

FE/cc

cc: Board of Directors
Attachment
File

CHATEAU BERNARDO

BY-LAW REVISIONS

Our By-laws provide that "The affairs of this Association shall be managed by a Board of three (3) directors, who need not be Members of the Association." (This Association non-membership statement goes back to the beginning of Chateau Bernardo when our Association was controlled by the Developer.)

The general counsels of Rancho Bernardo Home Owners Association and of Bernardo Heights Home Owners Association feel strongly that each Association committee be chaired by a Board member. The board of Chateau Bernardo agrees with this position and feels that it would be most helpful to increase the size of the board to five members and to provide continuity by electing directors to staggered terms of two (2) years. Accordingly it is proposed that the By-laws be amended as follows:

ARTICLE IV Section 1. be deleted in it's entirety and the following substituted:

Section 1. Number. The affairs of this Association shall be managed by a board of five (5) directors, each of whom shall be a Member of the Association.

ARTICLE IV Section 2. be deleted in it's entirety and the following substituted:

Section 2. Term of Office. At the 1991 annual meeting of Members, three (3) directors shall be elected for a term of one (1) year and two (2) directors shall be elected for a term of two (2) years. Thereafter, directors shall be elected at each annual meeting of Members to fill the vacancies of those directors whose term then expires and the term of each director so elected shall be two (2) years. If any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their successors are elected.

1/91

CHATEAU BERNARDO HOMEOWNERS' ASSOCIATION

AMENDMENTS TO BY-LAWS

ARTICLE XI ASSESSMENTS shall be deleted in its entirety and the following substituted.

ARTICLE XI

ASSESSMENTS

SECTION 1. ASSESSMENTS. As more fully provided in the Declaration, each Owner of a Lot is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, a penalty may be imposed and the total amount of the penalty and assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same and in addition thereto or in lieu thereof foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Lot.

SECTION 2. NON-PAYMENT OF ASSESSMENT. In the event of the Association does not receive an Owner's payment of the entire amount of a regular or special assessment imposed upon its Lot pursuant to this Article within 30 days after the due date thereof, a late payment penalty shall be immediately due and payable by such Owner. The amount of the late payment penalty shall be equal to ten percent (10%) of the delinquent amount or ten dollars (\$10), whichever is greater, and shall be in addition to any attorney's 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. The Board of Directors may, from time to time, increase the amount of such late payment penalty; provided, however, that the amount of such increased late-payment penalty shall not exceed the maximum permitted by California Civil Code Section 1725, as the same may be from time to time amended, or any other applicable laws.

SECTION 3. ENFORCEMENT OF COVENANTS. The Association may levy an Enforcement Assessment against any Owner for violation of any of the provisions of the Declaration or for violations of any of the By-Laws or rules adopted by the Association. The Board shall have the authority to adopt a reasonable schedule of assessments for any violation of the Declaration, Articles, By-Laws and/or Rules. If after notice and a hearing the Owner fails to cure or continues such violation, the Association may impose an additional fine each time the violation is repeated, and may assess such Owner and enforce the Enforcement Assessment in the same manner provided for non-payment of an Association Assessment. A hearing committee may be established by the Board to administer the foregoing.

(The purpose is to conform our By-Laws to our Declaration and to the Declaration and By-Laws of the Community Association).

ARTICLE XIV

SECTION 1. FISCAL YEAR be deleted in it's entirety and the following substituted:

SECTION 1. FISCAL YEAR. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year.

(The purpose is to conform our By-Laws to our Association practice of budgeting on a calendar year basis).

ARTICLE XIV

SECTION 3. (c) and (d) be deleted in their entirety.

(The reason is to eliminate the requirement of establishing reserves for property expenses since the Association owns no property).

BYLAWS
OF
CHATEAU BERNARDO HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in the County of San Diego, California.

ARTICLE II

DEFINITIONS

Section 1. "Articles" shall mean and refer to the Articles of Incorporation of the Association as they may from time to time be amended.

Section 2. "Association" shall mean and refer to CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation, its successors and assigns.

Section 3. "Board" shall mean and refer to the Board of Directors of the Association.

Section 4. "Bylaws" shall mean and refer to the bylaws of the Association as they may from time to time be amended.

Section 5. "Declarant" shall mean and refer to BERNARDO HEIGHTS JOINT VENTURE, a general partnership, its successors and assigns.

Section 6. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the County Recorder of San Diego County, California.

Section 7. "FHA" shall mean and refer to the Federal Housing Administration.

Section 8 . "Lot" shall mean and refer to any plot of land shown as such upon any recorded subdivision map of the Properties.

Section 9. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration.

Section 10. "Mortgage" shall mean and refer to a deed of trust as well as a mortgage encumbering a Lot.

Section 11. "Mortgagee" shall mean and refer to the beneficiary of a deed of trust as well as the mortgagee of a mortgage encumbering a Lot.

Section 12. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 13. "Properties" shall mean and refer to that certain real property described as such in the Declaration of Covenants, Conditions and Restrictions, recorded or to be recorded in the Office of the County Recorder of San Diego County, California, Owners of which are required to be Members of the Association, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 14. "VA" shall mean and refer to the Veterans Administration.

ARTICLE III

MEETINGS OF MEMBERS AND MEMBERSHIP RIGHTS

Section 1. Annual Meetings. The first annual meeting of Members shall be held within forty-five (45) days after close of escrow for the sale by Declarant of fifty-one percent (51%) of the Lots in the first phase of development of the Properties, but not later than six (6) months after the close of escrow for the sale of the first Lot by Declarant. Subsequent annual meetings of the Members shall be held each year thereafter within fifteen (15) days before or after the anniversary date of the first annual meeting, at the time determined by the Board. If the day for any annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following

which is not a legal holiday. Annual meetings of Members shall be held within the Properties or at such other location in San Diego County, California, in reasonable proximity to the Properties, as may be designated in the notice of meeting.

Section 2. Special Meetings. Special meetings of Members, for any purpose or purposes whatsoever, may be called at any time by the president or by a majority of a quorum of the Board, or by the written request of five percent (5%) or more of the voting power of the Members.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice, and to the holder of a first Mortgage encumbering any Lot who has requested in writing such notice. Such notice shall specify the place, day and hour of the meeting and those matters which the Board at the time of the mailing of the notice intends to present for action by the Members. The holder of a first Mortgage encumbering any Lot shall be entitled to designate a representative who shall have the right to attend all meetings of Members.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, a majority of the total voting power of Members shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these Bylaws. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough voting power to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting, the Members present in person or by proxy may not transact business but shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented or, unless otherwise provided by law, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be at least twenty-five percent (25%) of the total voting power of Members. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place

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

Section 5. Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months following the date of its execution. The transfer of title to any Lot shall void any outstanding proxy pertaining to the voting rights of the membership appurtenant to that Lot.

Section 6. Presumption of Notice. A recitation in the minutes of any membership meeting that notice of such meeting had been properly given shall be prima facie evidence that such notice was so given.

Section 7. Consent of Absentees. The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the Members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. Action Without Meeting. Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Members, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code.

Section 9. Membership Rights. No Member shall have the right without the prior approval of the Board to exercise any of the powers or to perform any of the acts by these Bylaws delegated to the Board as in Article VII of these Bylaws more fully provided. The membership rights and privileges, together with the voting rights of any Member, may be suspended by the Board for any period of time during which the assessment on his Lot remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board. Should the Board believe grounds may exist for any such suspension, the Board shall give to the Member believed to be in violation at least fifteen (15) days' prior written notice of the intended suspension and the reasons there-

for. The Member shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last address of the Member shown on the Association's records. Anything herein stated to the contrary notwithstanding, the Board shall not have the power to suspend any Member's rights of access or utilities to his Lot and no Member may be expelled from the Association. Monetary penalties may be adopted by the Association provided the adoption of such penalties is approved by seventy-five percent (75%) of the Owners, excluding Declarant.

ARTICLE IV

SELECTION AND TERM OF OFFICE OF DIRECTORS

Section 1. Number. The affairs of this Association shall be managed by a Board of three (3) directors, who need not be Members of the Association.

Section 2. Term of Office. At the first annual meeting of Members, the Members shall elect three (3) directors for a term of one (1) year. Thereafter, directors shall be elected at each annual meeting of Members to fill the vacancies of those directors whose term then expires for a term of one (1) year, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their successors are elected.

Section 3. Removal. The entire Board may be removed from the Board, with or without cause, by a majority vote of the Members. Subject to Section 2 of Article V, unless the entire Board is so removed, an individual director shall not be removed if the number of votes against the resolution for his removal or not consenting in writing to his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Any director elected to office solely by the votes of Members other than Declarant, as provided in Section 2 of Article V below, may be removed from office prior to the expiration of his term only upon the vote of a simple majority of the voting power of Members other than Declarant. In the event of death or resignation of a director, his successor may be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. In the event of removal of a director, his successor shall be

selected by a vote of the Members and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any services he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Such nominations may be made from among the Members or nonmembers. Anything herein to the contrary notwithstanding, the first election of the Board shall receive nominations only from the floor at the first annual meeting. Each nominee shall be given a reasonable opportunity to communicate to the Members the nominee's qualifications and the reasons for the nominee's candidacy. Each nominee shall be given a reasonable opportunity to solicit votes and the Members shall be given a reasonable opportunity to choose among the nominees.

Section 2. Election. Election to the Board shall be by secret written ballot. No Member shall have the right to cumulate his votes unless the candidates' names have been placed in nomination prior to the voting and the Member has given notice to the meeting prior to the voting of the Member's intention to cumulate votes. If one Member is entitled to cumulate votes, all Members shall have the right to cumulate votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Anything contained herein to the contrary notwithstanding, at the first election of directors by Members and thereafter for so long as a majority of the voting power of Members is held by Declarant, or so long as there are

two (2) outstanding classes of membership, not fewer than twenty percent (20%) of the directors shall be elected solely by the votes of Members other than Declarant.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held monthly, at such place and hour within the Properties as may be fixed from time to time by resolution of the Board. In the event adequate space is not available within the Properties to hold a meeting of the Board, the meeting shall be held as near the Properties as is reasonably practicable where adequate space is available. Should said meeting day fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of all such regular meetings of the Board shall be posted at a prominent place within the Properties and communicated to the directors not fewer than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Association, or by any two (2) directors other than the president, after the notice is given to each director as stated below.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be delivered personally to the directors or sent to each director by letter mailed first class, certified or registered mail or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the Association or, if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Association is located at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, it shall be so delivered at least seventy-two (72) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such director. Written notice of all special meetings shall also be posted in a manner prescribed for notice of regular meetings not fewer than seventy-two (72) hours prior to the scheduled time of the meeting. Notice of a

meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Attendance. Regular and special meetings of the Board shall be open to all Members; provided, however, that Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and other matters of business of a similar nature. Only members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 5. Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action to be taken or actually taken by the Board shall be given to the Members of the Association within three (3) days after all written consents have been obtained. Said explanation shall be given in the same manner as provided in these Bylaws for the giving of notice of regular meetings of the Board. Failure to give such notice shall not render the action to be taken or actually taken invalid.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board shall have the power to:

(a) cause the Association to act as a "Neighborhood Association" as that term is defined in the Declaration of Covenants, Conditions and Restrictions for The Community of Bernardo Heights recorded in the Office of the County Recorder of San Diego County, California, on September 30, 1983 as File/Page No. 83-319018, as amended.

(b) suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;

(c) exercise for the Association all powers, duties and authorities vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles or the Declaration; provided, however, that the Board shall not have the power to borrow money for the Association, nor to sell property of the Association without the vote or written assent of a majority of the voting power of each class of Members;

(d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(f) maintain any area which the Association has the license or easement to maintain.

Section 2. Duties. It shall be the duty of the Board to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date and/or to bring an action at law against the Owner personally obligated to pay the same;

(d) furnish, or to cause an appropriate officer 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;

(e) procure and maintain adequate fire, casualty, liability and hazard insurance as required by the Declaration, and otherwise adequately insure property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Association to act as a Neighborhood Association as defined and provided in the Declaration of Covenants, Conditions and Restrictions for The Community of Bernardo Heights referred to in Section 1(a) above;

(h) make capital expenditures for and on behalf of the Association; provided, however, that no capital expenditure may be made without the vote or written assent of a majority of the voting power of each class of Members;

(i) enforce the provisions of the Declaration, these Bylaws or any other agreement to which the Association is a party;

(j) contract and pay for goods and services, including legal and accounting services; provided, however, that the term of any service or management contract shall be limited to a duration of one (1) year except a management contract, the terms of which have been approved by the FHA or VA, and shall provide that the Association may terminate such contract for cause upon thirty (30) days written notice thereof; except that a contract with a public utility company for materials or services the rates for which are regulated by the Public Utilities Commission may exceed a term of one (1) year so long as it does not exceed the shortest term for which the public utility will contract at the regulated rate, and a contract for prepaid casualty and/or liability insurance policies may be for a term of not to exceed three (3) years provided that the policy permits short rate cancellation by the Association; provided, however, that any agreement for professional management or any other contract providing for services by Declarant must provide for termination by either party without cause or payment of a termination fee upon ninety (90) days or fewer written notice;

(k) prepare budgets and financial statements for the Association as provided in the Bylaws;

(l) initiate and execute disciplinary proceedings against Members for violations of the provisions of the Articles and Bylaws, the Declaration and the rules and regulations adopted by the Board; and

(m) delegate any of its powers hereunder to others, including committees, officers and employees.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board, a secretary and a chief financial officer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and chief financial officer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the

other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes unless others are so authorized by resolution of the Board.

Vice President

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

Secretary

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

Chief Financial Officer

(d) The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board unless others are so authorized by resolution of the Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy to each of the Members.

Section 9. Compensation. No officer of the Association shall receive compensation for his services performed in the conduct of the business of the Association; provided, however, any officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE IX

COMMITTEES

The Board shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or by his duly appointed representative, and by the holder of any first Mortgage encumbering a Lot. The Declaration, the Articles and the Bylaws shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at a reasonable cost. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;

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

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

Every director of the Association and every director of The Community Association of Bernardo Heights, a California nonprofit mutual benefit corporation, shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties, if any, owned by the Association. The right of inspection by a director shall include the right at his expense to make extracts and copies of documents.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Owner of a Lot is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum, and the Association may

bring an action at law against the Owner personally obligated to pay the same and in addition thereto or in lieu thereof foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Lot.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California corporation.

ARTICLE XIII

AMENDMENTS

Section 1. Amendments. Except as may otherwise be stated in these Bylaws, during the period of time prior to conversion of the Class B membership in the Association to Class A membership, new Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the Members entitled to exercise a majority or more of the voting power of each class of Members of the Association or by the written assent of such Members. After conversion of the Class B membership to Class A membership in the Association, these Bylaws may be amended or repealed by the vote of (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant. Anything herein stated to the contrary notwithstanding, no material amendment to the Bylaws shall be made without the prior written approval of Mortgagees holding first Mortgages encumbering seventy-five percent (75%) of the Lots which are subject to Mortgages; provided further, that so long as there remains a Class B membership in the Association, the VA and the FHA shall have the right to veto any amendments to these Bylaws. "Material amendment" shall mean, for purposes of this Article XIII, any amendments to provisions of these Bylaws governing any of the following subjects:

- (a) The fundamental purpose for which the project was created (such as a change from residential use to a different use).
- (b) Assessments, assessment liens and subordination thereof.
- (c) Property maintenance obligations.

- (d) Insurance and fidelity bonds.
- (e) Reconstruction in the event of damage or destruction.
- (f) Expansion or contraction of the Properties or the addition, annexation or withdrawal of property to or from the Properties.
- (g) Boundaries of any Lot.
- (h) Leasing of Lots.
- (i) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Lot.
- (j) Voting.
- (k) Any provision which, by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

Anything contained in these Bylaws to the contrary notwithstanding, the rights of each director of The Community Association of Bernardo Heights set forth in Article X above may not be amended, modified or rescinded at any time without the prior written consent of the Board of Directors of The Community Association of Bernardo Heights.

Notwithstanding the above provisions, the percentage of the voting power necessary to amend a specific clause or provision in the Bylaws shall not be less than the percentage of affirmative votes necessary for action to be taken under that clause or provision.

Section 2. Conflict Between Documents. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XIV

MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of July and end on the 30th day of June of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

Section 2. Financial Statements. The Board shall cause:

(a) a financial statement (including a balance sheet and income and expense statement) of the affairs of the Association to be made as of the last day of the month closest in time to the date six (6) months following close of escrow for the sale of the first Lot by Declarant to an Owner. Said financial statement shall reflect the financial condition of the Association as of said date and shall summarize the financial transactions in which the Association was involved during the period between the close of the first sale and the date of the financial statement. The financial statement shall include a schedule of assessments received or receivable itemized by Lot and shall include the name of the person or entity assessed. A copy of said financial statement shall be distributed personally or by mail to each of the Members of the Association and, upon written request, to all first Mortgagees, within sixty (60) days after the date of such financial statement.

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

(1) a balance sheet as of the end of the fiscal year;

(2) an income and expense statement for the fiscal year;

(3) a statement of changes in financial position for the fiscal year;

(4) any information required to be reported under Section 8322 of the California Corporations Code;

(5) for any fiscal year in which the gross income to the Association exceeds \$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.

The annual report referred to above shall be prepared by a licensee of the California State Board of Accountancy for each fiscal year.

(c) a statement of the Association's policies and practices in enforcing its remedies against Members for default in the payment of annual and special assessments, including the recording and foreclosing of liens against the Member's Lot, to be distributed to Members within sixty (60) days prior to the beginning of each fiscal year.

Section 3. Budget. The Board shall cause a pro forma operating statement (budget) for the Association to be prepared for the second and each succeeding fiscal year of the Association, a copy of which shall be distributed personally or by mail to each of the Members not fewer than forty-five (45) nor more than sixty (60) days prior to the beginning of the fiscal year to which the budget relates. The budget shall include the following information:

(a) The estimated revenue and expenses of the Association on an accrual basis for the next fiscal year.

(b) The amount of the total cash reserves of the Association currently available for contingencies.

(c) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to, major components of property, if any, for which the Association is responsible.

(d) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of property for which the Association is responsible.

Section 4. Voting After Conversion of Membership. Any procedure, action or matter for which these Bylaws require the vote or written assent of a majority of the voting power of each class of Members, shall, after conversion of the Class B membership in the Association to Class A membership, require the vote or written assent of (i) a majority of the voting power of Members of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant.

ARTICLE XV

NOTICE TO LENDERS

Upon the written request of the holder of a first Mortgage encumbering any Lot, the Association shall give to such holder (i) prior written notice of any action of the Association taken in connection with any material amendment to the Declaration, these Bylaws or the Articles, the effectuation of a decision to terminate professional management and the abandonment or termination of the project composed of the Lots; (ii) written notice of any substantial damage to or destruction of any improvement located on a Lot upon such damage or destruction; (iii) written notice of any condemnation or eminent domain proceeding or proposed acquisition in lieu thereof of any Lot or any part thereof,

promptly upon the commencement thereof; and (iv) written notification of any default by the Owner of a Lot encumbered by a first Mortgage, the holder of which requests such notice, in the performance of such Owner's obligations under the Declaration of these Bylaws which is not cured within sixty (60) days.

I, the undersigned, do hereby certify:

1. That I am the incorporator of CHATEAU BERNARDO HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation; and

2. That the foregoing Bylaws, comprising eighteen (18) pages, constitute the Bylaws of said corporation duly adopted by Written Consent of Incorporator dated January 9, 1986.

IN WITNESS WHEREOF, I hereunto subscribe by name and affix the seal of said corporation this 9th day of January, 1986.



A. John Hecht, Incorporator