

2003 AMENDED AND RESTATED BYLAWS
OF
CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 8
El Encanto Tower

ARTICLE I

NAME

The name of the corporation is CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 8, hereinafter referred to as the "Association". These Restated Bylaws amend and restate, in their entirety, the Bylaws of Coronado Shores Condominium Association No.8, ("*Original Bylaws*"). In accordance with Section 1 of Article XVI of the Original Bylaws, these Restated Bylaws have received the approval of at least fifty-one percent (51%) of the Members.

ARTICLE II

DEFINITION

Section 1. "Association" shall mean and refer to CORONADO SHORES CONDOMINIUM ASSOCIATION NO. 8, a nonprofit mutual benefit corporation, its successors and assigns.

Section 2. "Governing Documents" means these Restated Bylaws and other documents such as the Articles, Condominium Plan, Declaration, or Rules and Regulations which govern the operation of the Association.

Section 3. "Project" shall mean and refer to that certain condominium project located on that certain real property in the City of Coronado, County of San Diego, State of California, generally known and described as: Parcel B, Parcel Map No. 1262 in the City of Coronado, County of San Diego, State of California, recorded in the Office of the County Recorder of said County.

Section 4. "Unit" shall mean and refer to the elements of a Condominium which are not owned in common with the other Owners of other Condominiums. The boundaries of a Unit shall be the interior surfaces of the perimeter walls, floors, ceilings, windows and doors of each Unit, where they exist, and otherwise to the vertical or horizontal planes at the limits of the dimensions as shown on the Condominium Plan, filed pursuant to the California Civil Code, in the office of the County Recorder of San Diego County. The Unit shall include both the portions of the building so described and the air space so encompassed. In interpreting deeds and plans, the existing physical boundaries of a Unit or of a Unit reconstructed in substantial accordance with the original plans shall be conclusively presumed to be its boundaries, rather than metes and bounds, or

other description expressed in the deed or plan, regardless of settling or lateral movement of building and regardless of minor variance between boundaries shown on the plan or in the deed and those of a building.

Section 5. "Common Areas" shall mean the entire Project Excepting those portions thereof which lie within the boundaries of any Unit, as hereinabove defined.

Section 6. "Restricted Common Areas and Facilities" shall mean a portion of the Common Areas set aside and allocated for the restricted use of the respective Units or as designated in the Condominium Plan of the Project.

Section 7. "Condominium" shall mean and refer to a Condominium as defined in section 1351 of the California Civil Code, and shall be an estate in real property consisting of (a) a separate fee interest in the space within a unit and (b) an undivided interest as a tenant in common in the Common Area. Additionally, each Owner of a Condominium shall receive a membership in Coronado Shores Condominium Association No. 8.

Section 8. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 9. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a Condominium which is a part of the Project, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. For purposes of exercising membership rights and incurring membership obligations when an Owner is a corporation, any director, officer, employee or agent designated by corporate resolution may exercise the membership rights attributable to the corporation. When an Owner is a trust, the trustee may exercise the membership rights attributable to the trust unless otherwise designated in writing by the trustee.

Section 10. "Mortgage" shall mean the conveyance of any Condominium or other portion of the Project to secure the performance of an obligation, which conveyance shall be void upon the due performance of said obligation.

Section 11. "Mortgagee" shall mean a person or entity to whom a Mortgage is made; "Mortgagor" shall mean a person or entity who mortgages his or its property to another, i.e., the maker of a Mortgage.

Section 12. Wherever the word "Deed of Trust" is used herein, it shall mean and be synonymous with the word "Mortgage", and the same may be used interchangeably with the same meaning; and likewise the word "Trustor" shall be synonymous with the word "Mortgagor"; and the word "Beneficiary" shall be synonymous with the word "Mortgagee".

Section 13. "Supplemental Declaration" shall refer to that certain SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AS TO PARCEL B, PARCEL MAP NO. 1262 (parcel Map No. 1262 being a division of Lots 7, 8, 9 and 10 of Coronado Shores Map No. 6641), on record in the Office of the County Recorder of San Diego County.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is an Owner of a Condominium which is subject by the Supplemental Declaration to assessment by the Association, including contract sellers, 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. No Owner shall have more than one membership for each Condominium owned. Membership shall be appurtenant to and may not be separated from ownership of any Condominium which is subject to assessment by the Association. Ownership of such Condominium shall be the sole qualification for membership.

Section 2. Suspension of Membership. During any period in which a Member shall be in default in the payment of any common or special assessment levied by the Association, the voting rights and right to use the recreational facilities on the Common Areas of such Member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a Member may also be suspended, after notice and hearing, for a period not to exceed thirty (30) days, for any single infraction of any rules and regulations established by the Board of Directors governing the use of the Common Areas.

Section 3. Multiple Ownership. Ownership of a condominium shall give rise to a single membership vote in the Association. Fractional votes shall not be allowed. When there is more than one (1) record Owner of a Unit (Co-owners), all of the co-owners shall be Members with equal rights to use and enjoy the Common Area facilities, but only one (1) of them shall be entitled to cast the single vote attributable to the Unit. Co-owners may designate in writing one (1) of the co-owners to vote. If no such designation is made or if it is revoked, the co-owners shall decide among themselves, by majority vote, how that Unit's vote is to be cast. Unless the Board receives a written objection in advance *from* a co owner, it shall be conclusively presumed that the voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for the Unit on a particular matter if a majority of the co-owners present in person or by proxy cannot agree on a vote.

ARTICLE IV

PROPERTY RIGHTS - RIGHTS OF ENJOYMENT

Section 1. Each Member shall be entitled to the use and enjoyment of the Common Areas as provided in the Supplemental Declaration. Any Member may delegate his rights of enjoyment of the Common Areas to the members of his family who reside with him in his Condominium or to his tenants or contract purchasers who reside in his Condominium. Such Member shall notify the Secretary of the Association in writing of the name of any such delegee. The rights and privileges are subject to suspension to the same extent as those of the Member. If an Owner is deemed to have assigned such rights of enjoyment of the Common Areas, the Owner and the Owner's family, guests, employees and invitees shall not be entitled to use and enjoy the Common Area for so long as the assignment remains effective.

ARTICLE V

MEETINGS OF MEMBERS

Section 1. Place of Meetings. Meetings of the Association shall be held at the principal office of the Project or such other suitable place convenient to the Members, as may be designated by the Board of Directors; provided, however, that all meetings shall be held in San Diego County, the State of California. Meetings of Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Board of Directors may adopt by resolution.

Section 2. Annual Meetings. The annual meeting of the Association shall be held within fifteen (15) days of November 1. At such meetings there shall be elected by ballot of the Owners a Board of Directors in accordance with the requirements of Article VII of these Restated Bylaws. The Owners may also transact such other business of the Association as may properly come before them.

Section 3. Special Meetings.

It shall be the duty of the President to call a special meeting of the Association (Corporations Code section 7510e) upon request of (1) the Board, (2) the President, (3) other persons specified in the Restated Bylaws and (4) upon petition signed by five percent (5%) of the Owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No other business shall be transacted at a special meeting. A special meeting in response to petition of five percent (5%) of the Owners shall be called within twenty (20) days of receipt of the petition and the meeting held not less than thirty-five (35) days nor more than ninety (90) days from the receipt of

the petition.

Section 4. Notice and Place of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the date, time and place where it is to be held to each Member entitled to vote thereat at least ten (10) but not more than ninety (90) days prior to such meeting and 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. The mailing of a notice in the manner provided in this Section 4 shall be considered notice served. The notice for the annual meeting shall include a proxy form which shall list the names of all candidates for membership on the Board of Directors and identify incumbents. The proxy shall allow the Member to specify how the Member's votes shall be cast. In addition, there shall be a summary description of all items known to be presented for vote of the Members at the meeting and the proxy shall include the voting option of:

For _____

Against _____

Abstain _____

If any candidate for Board membership desires to present a brief personal biography providing experience pertinent to the functions of the Board of Directors, a copy shall be included.

Section 5. Voting. Voting shall be on a Unit basis. Only one vote may be cast for each Unit. The Owner or co-owners of each Unit shall be entitled to one (1) vote for the Unit. Voting may occur in person or by proxy.

Section 6. Majority of Owners. As used in these Restated Bylaws, the term "majority of Owners" shall mean those Owners holding fifty-one percent (51%) of the total votes in accordance with the voting provisions contained herein and the Supplemental Declaration.

Section 7. Quorum. Except as otherwise provided in these Restated Bylaws, the presence in person or by proxy of those Owners holding fifty percent (50%) of the total votes, in accordance with the voting provisions contained herein and the Supplemental Declaration shall constitute a quorum. For purposes of establishing a quorum and determining the total voting power of the Association, if a Members' voting rights are suspended as provided in the Governing Documents, the total voting power of the Association shall be reduced for the period of time for which the suspension is in effect by an amount equal to the number of Units for which membership voting rights have been suspended.

Section 8. Proxies. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by an Owner of his Unit. Proxies

distributed to more than one Member for any meeting shall comply with the requirements in Section 4 above.

Section 9. Adjourned Meetings. If any meeting of the Association cannot be officially held because a quorum has not attended, the Members who are present, either in person or by proxy, may as otherwise provided by law adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which meeting the requirement for a quorum shall be twenty-five percent (25%) of the Members.

Section 10. Action Without a Meeting. Any action required by the law to be taken at a meeting of the Members, or any action which may be taken at a meeting of Members may be taken without a meeting if the Association distributes a written ballot to every Member entitled to vote with respect to the subject matter thereof.

Section 11. Written Ballots. A written ballot may not be revoked once it is mailed to or delivered to the Association. The ballot shall provide a reasonable time, to be determined by the Board of Directors, within which it is to be returned to the Secretary to be considered valid. Any vote by written ballot shall comply with corporations Code Section 7513 or any successor statute.

Section 12. Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of directors.
- (h) Unfinished business.
- (i) New business.

ARTICLE VI

ADMINISTRATION

Section 1. Compliance with Statute. All activities to enforce the provisions of the Governing Documents shall be conducted in accordance with all applicable laws, statutes and ordinances including but not limited to, Civil Code Section 1354 or any successor statute or law.

Section 2. Association Responsibilities. The Association shall have all the powers of California Nonprofit Mutual Benefit Corporation Law subject to any limitations set forth in the

Governing Documents. It may perform all acts that may be necessary for or incidental to the performance of the obligations and duties imposed upon it. Its powers shall include, but are not limited to:

(a) enforce applicable provisions of the Supplemental Declaration, these Restated Bylaws, Rules and Regulations, or other documentation relating to the control and management of the Project;

(b) contract and pay premiums for fire, casualty, liability, workers' compensation and other insurance, including indemnity and other bonds;

(c) contract and pay for maintenance, gardening, utilities, materials and supplies and services relating to the Common Areas, and employ personnel reasonably necessary for the operation of the Project including lawyers and accountants where appropriate;

(d) participate in any common maintenance and use scheme involving other Lots and Parcels within Coronado Shores Map No. 6641 and Parcel Map No. 1262;

(e) pay taxes and special assessments which are or would become a lien on the Project or Common Areas;

(f) where appropriate, pay for reconstruction of any portion or portions of the Project damaged or destroyed which are to be rebuilt;

(g) delegate its powers to officers, agents and committees; and

(h) enter into any Unit when necessary in connection with maintenance or construction for which the Association is responsible, or in a case of emergency originating in or threatening any Unit.

(i) grant easements to individual owners for the express purpose of extending placement of windows into/onto the adjacent common area ledge as further described in the Declaration.

ARTICLE VII

BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons, all of whom must be Owners of record of Units in the Project.

Section 2. Election and Term of Office. The terms of office of all members of the Board shall be one year. Each director shall hold office until the election of his or her successor or until the director's death, resignation or removal. A director who is appointed by the Board as a

result of a resignation, death, or removal for cause of a seated director shall fill out the term of his predecessor.

(a) Members of the Board of Directors shall be elected by a plurality of the votes cast at the annual meeting of the Members of the Association.

(b) Every Member entitled to vote at any election for directors or for the removal of directors of the Association may cast one vote for each candidate of his choice, but not to exceed the total number of positions to be filled. Votes *may* not be cumulated.

Section 3. Vacancies. Vacancies in the Board of Directors caused by resignation by a Member which is accepted by the Board or any other reason except the removal of a director by a vote of the Association shall be filled by a vote of the majority of the remaining directors even though they may constitute less than a quorum. The Board may declare vacant the office of a director if the director is absent from four (4) regular meetings or when a director is more than sixty (60) days delinquent in payment of his assessment obligation to the Association.

Section 4. Directors' Fees. Directors shall not receive any fees or other compensations for their service on the Board except reimbursement for actual out of pocket expenses incurred by the director in performance of his or her duties.

Section 5. Manner of Acting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these Restated Bylaws *or* the Declaration. Any action required *or* permitted to be taken by the Board of Directors under any provision of this division may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 6. Nomination Committee. The directors shall actively seek potential candidates for nomination to replace directors who *are* not seeking reelection. Any Owner of record who desires to be listed on the ballot for the reflection of directors may submit his name together with a brief resume of his qualifications to the Secretary of the Board. Further, any Member present at a meeting in which a director or directors are to be elected may place a name in nomination at the meeting prior to the vote. Association funds may not be expended to support a nominee for director.

Section 7. Election Inspectors.

(a) In advance of any meeting of Members, the Board may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so

appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of Members may, and on the request of any Member or a Member's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more Members or proxies, the majority of Members represented in person or by proxy shall determine whether one *or* three inspectors are to be appointed. In the case of any action by written ballot (Corporations Code Section 7513) the Board may similarly appoint inspectors of election to act with powers and duties as set forth in this Section 7.

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

(c) The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE VIII MEETING OF DIRECTORS

Section 1. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors who were present when the meeting was scheduled in order legally to constitute such meeting, providing a majority of the whole Board of Directors shall be present.

Section 2. Regular Meeting. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time, by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone or facsimile, at least seven (7) days prior to the day named for such meeting. An emergency meeting of the Board may be called by the President, or by any two (2) Board members if there are circumstances that could not have been reasonably foreseen which

require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required herein.

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 of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 4. Waiver of Notice. Before or at any meeting of the Board of Directors any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall be a waiver of notice by him or her of the time and place thereof. If all the directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 5. Open Meetings. Regular and special meetings except executive sessions of the Board shall be open to all Members of the Association. Provided, however, that Members who are not on the Board may speak subject to reasonable time limitations established by the Board.

Section 6. Executive Session. The Board may, with the approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to meet with its legal counsel, or discuss and vote upon (a) litigation in which the Association is or may become involved, (b) matters that relate to the formation of contracts with third parties, (c) personnel matters, and (d) orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session. In the event their executive session does not follow an open session, the Board may conduct an executive session if the agenda of such executive session is announced at the next regularly scheduled Board meeting. Nothing herein contained shall be construed to obligate the Board to first call an open meeting before meeting in executive session. An executive session which does not follow an open meeting may be called and noticed in the same manner as a special meeting. Any matter discussed in executive session shall be generally noted in the Association minutes.

Section 7. Board Deliberation Regarding Member Discipline. In any matter relating to the disciplining of a Member, the Board shall meet in executive session if requested by that Member, and the Member shall be entitled to attend that portion of the executive session in which the Board discusses the discipline of that Member.

Section 8. Meeting Minutes. The Board shall keep accurate written minutes of its meetings, and shall retain them in the permanent records of the Association. The minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any Board meeting, other than executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member upon request. Members shall be notified at the time that the budget is distributed of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

ARTICLE IX
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association, to adopt rules, impose fines for violations thereof, regulating the use of Units (i.e. requiring residential use, prohibiting time shares and other nuisances). These powers shall include but not be limited to the power to adopt and publish rules and regulations governing the use of the Common Areas and the personal conduct of the Members and their guests thereon.

Section 2. Other Duties. In addition to duties imposed by these Restated Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following:

- (a) Care, upkeep, and orderly operation of the Project, the Common Areas, and the Restricted Common Areas and Facilities.
- (b) Collection of assessments from the Owners.
- (c) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis.
- (d) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis. Reserve accounts are funds that the Association's Board of Directors have identified for use to defray the future repair or replacement of, or additions to those major components which the Association is obligated to maintain.
- (e) Review on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget.
- (f) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts.
- (g) Review an income and expense statement for the Association's operating

and reserve accounts on at least a quarterly basis.

(h) Cause to be conducted, at least once every three (3) years, a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain, as part of a study of the reserve account requirements of the Project if the current replacement value of the major components is equal to or greater than one-half (1/2) of the gross budget of the Association, excluding the Association's reserve accounts, for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. This study shall, at a minimum, include:

(1) Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years.

(2) Identification of the probable remaining useful life of the components identified in (1), above, as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration or maintenance of the components identified in (1), above, during and at the end of their useful life.

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain the components identified in (1), above, during and at the end of their useful life, after subtracting total reserve funds as of the date of the study. (e.g. If a component costs \$100,000 to replace, \$50,000 is currently set aside in the reserves for its replacement, and it has an estimated 10 years of remaining life, then the estimate of the total annual contribution to reserves for this component should be \$5000). As used herein, the term "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

(i) Designation and dismissal of any personnel necessary for the maintenance and operation of the Project, the Common Areas, and the Restricted Common Areas and Facilities.

(j) Supervise performance of all officers, agents and employees of the Association and see to it that their duties are properly performed.

Section 3. Management Agent. The Board of Directors may employ for the Association a manager or management agent at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize including, but not limited to, the duties listed in Section 2 of this Article; provided that no contract term for the employment of such manager or managing agent shall be in excess of one (1) year, renewable

by agreement by both parties for successive one (1) year periods, without the approval of a majority of the Members.

Section 4. Removal of Directors. At any annual or special meeting of the Association duly called, anyone or more of the directors may be removed with reasonable cause by a majority of a quorum of the Members of the Association and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 5. Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Owners for any non-willful tort, mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each member of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith. It is intended that the members of the Board of Directors shall have no personal liability with Respect to any contract made by them on behalf of this Association. It is also intended that the liability of any Owner arising out of any contract made by the Board of Directors or out of the indemnity in favor of the members of the Board of Directors shall be limited to such proportion of the total liability thereunder as his interest in the Common Areas. Every agreement made by the Board of Directors or by the manager or managing agent on behalf of the Association shall provide that the members of the Board of Directors, or the manager or managing agent, are acting only as agents for the Association and shall have no personal liability thereunder (except as Owners), and that each Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Common Areas bears to the interests of all Owners in the Common Areas. The Association, and its directors and officers, shall have no liability to any Owner or Mortgagee if, after a good faith effort, (1) it is unable to obtain earthquake insurance because the insurance is no longer available or, if available, can be obtained only at a cost that the Board in its sole discretion determines is unreasonable under the circumstances, or (2) the Association Members fail to approve any assessment increase needed to fund such insurance premiums. In making a decision whether to acquire such insurance, the Board of Directors may but is not required to, among other things, conduct a vote of the homeowners. Every director, every officer past or present of the Association and every past or present employee or committee member and any other person acting on behalf of the Association or at the direction of an officer or director of the Association shall be indemnified by the Association against expenses and liabilities including reasonable attorneys' fees, incurred or imposed upon him in connection with any proceeding in which he may be a party, or in

which he may become involved, by reason of his being, or having been, a director or an officer of the Association, or employee, committee member, or other person acting on behalf of the Association or any settlement thereof, except in such cases wherein the director or officer is adjudged guilty by a court of law of gross negligence or malfeasance in the performance of his duties. Indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

Section 6. Nonliability. Except as provided by law, no right, power or responsibility conferred on the Board or any committee by the Governing Documents shall be construed as a duty, obligation, or disability charged upon any Agent (Management) of the Association. No Agent shall be liable to any party (other than the Association or a party claiming in the name of the Association) for inquiries or damage resulting from the Agent's acts or omissions within what the Agent reasonably believed to be the scope of his or her Association duties ("Official Acts"), except to the extent that the injuries or damage result from the Agent's willful or malicious misconduct. No Agent shall be liable to the Association (or any party claiming in the name of the Association) for injuries or damage resulting from the Agent's Official Acts, except to the extent that the injuries or damages result from the Agent's willful negligence or malicious misconduct.

Section 7. Indemnification. The Association shall pay all expenses actually and reasonably incurred by, and satisfy any judgment or fine levied against, any Agent as a result of any action or threatened action against the Agent to impose liability on the Agent for his Or her Official Acts, providing that (i) the Board determines that the Agent acted in good faith and in a manner the Agent reasonably believed to be in the best interest of the Association, (ii) in the case of a criminal proceeding, the Board determines that the Agent had no reasonable cause to believe his or her conduct was unlawful and (iii) in the case of an action or threatened action by or in the right of the Association, the Board determines that the Agent acted with the care (including reasonable inquiry) that an ordinarily prudent person in a like position would use under similar circumstances.

Section 8. Standard of Care. Funds received by the Association are to be used for the sole purpose or paying for all the expenses and other operational costs, including but not limited to wages, taxes, repairs, replacement and maintenance of the Association assigned to the Association by law or these Restated Bylaws or the Supplemental Declaration. There shall be no intermingling of the Association's funds with personal, non-Association or another association's funds. No person may borrow any money from the Association at any time for any purpose.

ARTICLE X
OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be chosen by and from the Board of Directors. The offices of Secretary and of Treasurer may be held by the same person. The Board of Directors may appoint an assistant treasurer and assistant secretary, and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed with reasonable cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 4. Resignation of Officers. Any officer may resign at any time by giving notice to the Board of Directors, 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.

Section 5. Vacancies. A vacancy in any office may be filled by the Board of Directors. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as the President may in the President's discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 7. Vice President. The Vice President shall take the place of the President and perform the President's duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon the Vice President by the Board of Directors.

Section 8. Secretary. The Manager shall keep the minutes of all meetings of the

Board of Directors and the minutes of all meetings of the Association. These minutes shall be reviewed and approved by the Secretary before official publication. The Secretary shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all the duties incident to the office of secretary or as required by the Board of Directors.

Section 9. Treasurer. The Treasurer shall review and supervise Manager's accounts of all receipts and disbursements in books belonging to the Association. On a quarterly basis the Treasurer shall review the accounts of all receipts and disbursements and deposits of money and other valuable effects processed by the Manager. The Treasurer shall monitor the cash and short-term investments, proposing for Board approval, the repositioning of funds to increase interest income or lower administrative expense. The Treasurer may also assign another person to make deposits of all moneys belonging to the Association into the Association's regular and existing bank accounts, provided that such person or persons is either a member of the existing Board of Directors or the manager of the Association.

Section 10. Compensation of Employees. The compensation of all employees of the Association shall be fixed by the Board of Directors.

Section 11. Employment by the Association. Owners, their guests and lessees shall not be employed by the Association.

ARTICLE XI

OBLIGATIONS OF THE OWNERS

Section 1. Assessments. All Owners are obligated to pay monthly assessments imposed by the Association to meet all Common Expenses of the Project as that term is defined in the Supplemental Declaration. The assessments shall be made pro rata according to the numerical value of the Unit owned, all as provided in the Supplemental Declaration.

Section 2. Maintenance and Repair.

(a) Every Owner is responsible for prompt maintenance and repair work within his Unit, which if omitted would affect the entire Project or a portion of the Project, other than that portion belonging to such Owner, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the Unit such as water, light, gas, power, sewage, telephones, air conditions, sanitary installations, doors, windows, lamps, and all other accessories belonging to a Unit shall be at the Owner's expense.

(c) Sprinkler system and smoke alarm equipment within Owners' Condominiums and Common Areas will be maintained by the Association.

(d) The Owner of each Unit shall be liable to the Association for all damages to the Common Areas or to any improvements thereon or thereto, including, but not limited to, buildings, recreational facilities and landscaping, caused by such Owner, his guests or invitees.

(e) An Owner shall maintain the piping valves, electrical wiring, toilets, bathtubs and appliances within his Unit to operate in good condition. Each Owner shall annually inspect these items and make all necessary repairs. If an Owner fails to properly maintain the piping valves, electrical wiring, toilets, bathtub, and appliances and damages occur as a result thereof, the Owner shall be financially liable for all damages (i.e. water leaks, etc.) to his Unit as well as to other Units caused by his failure to maintain or repair.

Section 3. Use of Condominium Units.

(a) All Units shall be utilized for residential purposes only.

(b) Any Owner may delegate the Owner's rights to use and enjoy the Common Area and Common Facilities to members of the Owner's family or the Owner's tenants or lessees who reside in the Owner's Unit provided that any rental or lease may only be for single family use and for a term not less than thirty (30) days.

Section 4. Other Rules of Conduct. An Owner shall observe and abide by all reasonable rules and regulations duly adopted and published by the Board of Directors of the Association. Any rental or lease of a Unit shall be subject to the provisions of the Governing Documents all of which shall be deemed incorporated by reference in the lease or rental agreement. Each Owner shall be responsible for compliance by the Owner's tenant or lessee with all of the provisions of the Governing Documents during the tenant/lessee's occupancy and use of the Unit. In the event that any tenant or lessee fails to honor the provisions of the Governing Documents, the Association shall be entitled to take such corrective action it deems necessary or appropriate under the circumstances which may include suspension of the tenant's privileges to use any recreational Common Facilities or the imposition of fines and penalties against the Owner or tenant.

Section 5. Right of Entry.

(a) Each Owner shall allow the Board of Directors or the agents and employees of the Association to enter his Unit for the purpose of maintenance, inspection, repair, or replacement improvements within the Units or the Common Areas, or in case of emergency threatening the Units or the Common Areas, or to determine compliance with the Restated Bylaws or Rules and Regulations of the Association or for any other reason reasonably related to the performance and responsibility of the Association.

(b) An Owner shall permit other Owners, or their representatives, when so required to enter his Unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services provided that requests for entry are made in advance and that such entry is at the time convenient to the Owner. In case of an emergency, such right of entry shall be immediate.

Section 6. Structural Modification. An Owner shall not make structural modifications or alterations in his Unit or installations located therein:

(a) without previously notifying the Association in writing, through the manager or managing agent, if any, or through the President or a member of the Board of Directors, if no manager or management agent is employed. Where modifications require approval by any governmental entity written permission must first be obtained from the Board of Directors. Structural modifications must be performed by a contractor holding a valid current California license who shall provide evidence of bodily injury and property damage liability insurance including product and completed operations of not less than \$1,000,000/\$1,000,000. The Association shall be named as an additional insured on any such policies, if possible. The Association shall have the obligation to approve or disapprove the plans submitted to it within thirty (30) days.

(b) that would result in the creation of more bedrooms within his Unit than originally appear on the original Condominium Plan recorded with the San Diego County Recorder.

ARTICLE XII SUPPLEMENTARY PROVISIONS

Basic provisions governing the functions and activities of the Association are set forth in the Supplemental Declaration. To the extent not inconsistent with the Supplemental Declaration, the functions and activities of the Association shall be supplemented by the following provisions.

Section 1. Assessment Roll. The Association shall maintain an assessment roll in a set of accounting books in which there shall be an account for each Unit. Such an account shall designate the name and address of the Owner, the amount of each assessment against the Owner, the dates and amounts in which the assessment come due, the amounts paid upon the account and the balance due upon assessments.

Section 2. Budget-Reserves. The Board of Directors shall adopt a pro forma

budget, which shall include a summary of the Association reserves based upon the most recent review or study which shall be printed in bold type and include the following:

(a) The current estimated replacement cost, and estimated remaining life of each major component.

(b) As of the end of the fiscal year for which the study is prepared:

(i) The current estimate of the cash reserves necessary to repair, replace, restore, or maintain the major components.

(ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.

(iii) The percentage that the amount determined for purposes of clause (i) of subparagraph (b), above, is of the amount determined for purposes of clause (ii) of subparagraph (b), above.

(c) A statement as to whether the Board of Directors of the Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major components or to provide adequate reserves thereof.

(d) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacements or additions to those major components that the Association is obligated to maintain.

Section 3. Budget-Operating. The Board of Directors shall prepare a pro forma operating budget that provides estimated revenue and expenses of the Association on an accrual basis. A copy of this budget shall be annually distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year.

(a) A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000). A copy of the review of the financial statements shall be distributed within one hundred twenty (120) days after the close of each fiscal year.

(b) In lieu of the distribution of the pro forma operating budget, the Board of Directors may elect to provide a summary of this budget at the business office of the Association and that copies will be provided upon request and at the expense of the Association. If any Member requests a copy of the pro forma operating budget required by subdivision (a) to be mailed to the Member, the Association shall provide the copy to the Member by first class U.S. mail at the expense of the Association and delivered within five (5) days. The written notice distributed to each of the Association members shall be in at least ten (10) point bold type on the front page of

the summary.

Section 4. Default. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

Section 5. Proposed Assessments Against Each Member. The Association shall levy common and special assessments sufficient to perform its obligations under the Governing Documents. Notwithstanding more restrictive limitations placed on the Board by these Governing Documents, the Board of Directors may not impose a common assessment that is more than twenty percent (20%) greater than the common assessment for the Association's preceding fiscal year or impose special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the approval of Owners, constituting a quorum of more than fifty percent (50%), casting a majority of the votes at a meeting or election of the Association. Section 6. Use of Reserve Funds. Reserve funds may be used only for "repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain." The Board is entitled to borrow reserve funds to meet short-term cash flow requirements or other expenses. In accordance with Section 1365.5(b) of the Civil Code, the withdrawal of reserve funds must be authorized in writing, executed by the Board President and Treasurer, or in their absence by two (2) members of the Board. The funds must be repaid within one (1) year or as otherwise allowed by statute. Under the provisions of Section 1366 of the Civil Code, the Association may levy a special assessment to repay the amount borrowed. This may be done by a Board vote which is subject to the limit of five percent (5%) of the budgeted gross expenses.

Section 7. Depository of Association Moneys. The depository of the moneys of the Association shall be one or more banks or other financial institutions as shall be designated from time to time by the Board of Directors. Withdrawal of moneys from such accounts shall be only by checks or withdrawal orders signed by the President and Treasurer. If one of these persons is unavailable, the Vice President may sign for one of them. The manager may be authorized to sign checks, except for withdrawal from reserves, if only one director is available.

Section 8. Review. A review of the accounts of the Association shall be made annually by a certified public accountant chosen by the Board of Directors, and a copy of said report shall be available in the manager's office for each Member to receive or review within thirty (30) days of the completion of the review.

Section 9. Fidelity Bonds. Fidelity bonds shall be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for moneys of the Association. The amount of such bonds shall be determined by the Board of Directors, but shall be at least the amount of the total annual assessments against Members for Common Expenses. The premiums of such bonds shall be paid by the Association.

Section 10. Inspection of Accounting Books, Records and Minutes of Proceedings.

The accounting books and records and minutes of proceedings of the Members and the Board and committees of the Board, except executive session and a list of the names and addresses of the current Members shall be open to inspection upon the written demand on the Association of any Member with reasonable notice, for a purpose reasonably related to such person's interests as a Member. Any written demand shall state the purpose for which the inspection is desired.

ARTICLE XIII
FISCAL YEAR

The fiscal year of this corporation shall be the calendar year unless the Board of Directors shall designate a fiscal period ending other than on December 31.

ARTICLE XIV
AMENDMENT

Section 1. Restated Bylaws. These Restated Bylaws may be amended by the Association in a duly constituted meeting for such purposes and no amendment shall take effect unless approved by Owners representing at least fifty-one percent (51%) of the total voting power.

ARTICLE XV
MORTGAGES

Section 1. Notice to Association. An Owner who mortgages his Unit shall notify the Association through the manager or management agent, if any, or the President of the Directors in the event there is no manager or management agent, of the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units".

Section 2. Notice of Unpaid Assessments. The Association shall at the request of a Mortgagee of a Unit report any unpaid assessments due from the Owner of such Unit.

ARTICLE XVI
FINE POLICY AND GENERAL FINE SCHEDULE

The following procedure will apply to all violations and infractions of the Governing Documents. Owners may report violations to the management or Board of Directors by submitting a written notice describing the violation. The Board of Directors, management or committee appointed by the Board may also note any violations discovered during walk-through or by personal knowledge of any of its members or representatives.

Section 1. At the time a violation is noted or reported, action will be as follows:

(a) A first notice to correct the violation will be sent by the management. The notice will contain a description of the violation and instructions regarding response to the notice and correction of the violation. In this notice, the Owner will be notified that a fine may be imposed if the violation is not corrected.

(b) If the violation continues, or if the response is otherwise unsatisfactory, the Owner will receive a notice of a monetary penalty and be afforded an opportunity to appear before the Board or an appointed committee either by appearing personally or submitting written testimony. The hearing date shall be at least five (5) days before the effective date of the monetary penalty. The notice shall be delivered to the Owner personally or by first class or registered mail to the last address of the Owner shown on the Association's records. The Board or committee shall give fair consideration to the Owner's oral or written testimony in determining whether to impose a penalty.

(c) If the violation continues, or if the response is otherwise unsatisfactory, even after the imposition of a monetary penalty, the Board or its appointed committee may impose additional or continuing fines until such time as the matter is satisfactorily resolved.

(d) If the violation continues further, the Board may refer the matter to the Association's legal counsel. If a lawsuit is filed, the homeowner may be liable for the Association's legal costs and fees.

(e) Any monetary penalties imposed by the Board or its appointed committee may become a lien, enforceable in the same manner as assessments.

(f) Notwithstanding the foregoing, under circumstances involving conduct that constitutes (a) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (b) a traffic or fire hazard; (c) a threat of material damage to, or destruction of, the Common Area; or (d) a violation of the Governing Documents that is of such a

nature that there is no material question regarding the identity of the violator or whether a violation has occurred (i.e. delinquent assessment payment or parking violations), the Board or its agents may undertake immediate corrective or disciplinary action and conduct a hearing as soon thereafter as reasonably possible, if either (1) requested by the offending Owner within five (5) days following the Association's actions, or (2) on its own initiative.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

(a) Corporate Seal. The corporate seal of the Association shall be in such form as the Board of Directors shall determine and shall contain the name of the Association, the date and state of its creation and such other matters as may be required by the laws of the State of California or as the Board of Directors, in their discretion, may determine. Said seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

(b) Principal Office. The principal office shall be established and maintained in the County of San Diego, State of California.

(c) Notice of Waiver of Notice. Whenever any notice is required by these Restated Bylaws to be given, personal notice is not meant unless expressly so stated; and any notice so required shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed prepaid wrapper, addressed to the person entitled thereto at his last known post office address, and such notice shall be deemed to have been given on the day of such mailing. Any notice required to be given under these Restated Bylaws may be waived by the person entitled thereto.

(d) Suspension After Hearing. In not less than five (5) days following the hearing and by majority vote, the Board of Directors shall have the right to suspend the voting rights of a Member and the right of a Member to use the recreational facilities on the Common Areas for:

(1) His failure to pay fines, any common or special assessments as provided in the Supplemental Declaration such suspension shall not exceed the period in which said payment remains delinquent; and

(2) His violation of the rules and regulations of the Association, provided that suspension for such cause shall not exceed thirty (30) days for any single violation. Before any such action may be taken at least ten (10) days' written notice must be given to such Member, specifying the charges and stating the time and place of hearing on such charge.

(e) Conflict. In case of any conflict between the Articles of Incorporation and these Restated Bylaws, the Articles of Incorporation shall control; and in case of any conflict between the Supplemental Declaration and these Restated Bylaws or the Articles of Incorporation, the Supplemental Declaration shall control.

ARTICLE XVII I
GENERAL PROVISIONS

Section 1. Enforceability. The covenants and restrictions in the Declaration shall be enforceable equitable servitudes, unless unreasonable, and shall inure to the benefit of and bind all Owners of separate interests in the development. Unless the Declaration states otherwise, these servitudes may be enforced by any Owner of a separate interest or by the Association or by both. All activities to enforce the provisions of the governing documents shall be conducted in accordance with all applicable laws, statutes and ordinances. This Section shall apply to both the Association and to all Owners.

Section 2. Compliance with Statutes. These Restated Bylaws are set forth to comply with the requirements of the following statutes: California Civil Code Sections 1350 et seq and all other applicable statutes of the State of California. In case any of these Restated Bylaws conflict with the provisions of said statutes, it is hereby agreed and accepted that the provisions of the statute will apply.