

BYLAWS
OF
VILLA TEMPRA OWNERS' ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

Name and Location. The name of the corporation is VILLA TEMPRA OWNERS' ASSOCIATION, INC. (hereinafter referred to as "Association"). The principal office of the corporation shall be located at 294 Shasta Street, Chula Vista, California 92010, and the meetings of members and directors may be held at such place as within the State of California, County of San Diego, as may be designated by the Board of Directors.

ARTICLE 2

DEFINITIONS

2.1 Association shall mean and refer to VILLA TEMPRA OWNERS' ASSOCIATION, INC., a California nonprofit mutual benefit corporation, its successors and assigns.

2.2 Articles shall mean the Articles of Incorporation of the Association and any amendments to said Articles.

2.3 Board or Board of Directors shall mean and refer to the governing body of said Association.

2.4 Boundaries shall mean that in interpreting deeds and plans, the then existing physical boundaries of a Living Unit whether in its original state or reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than the boundaries expressed in the deed or plan, regardless of settling or lateral movement of the building and regardless of minor variance between boundaries shown on the plan or deed, and those of the building.

2.5 Bylaws shall mean the Bylaws of the Association and any amendments to said Bylaws.

2.6 Common Area shall mean and refer to all portions of the Condominium Property not located within a Living Unit or Restricted Common Area.

2.7 Common Expense means and includes the actual and estimated expenses of operating the Condominium Property and any reasonable reserve for such purposes.

2.8 Condominium shall mean and refer to a fee simple estate in the Condominium Property as defined in Section 783 of the California Civil Code and shall consist of a separate interest in a Living Unit including a Garage and an undivided fractional interest as tenant in common in the Common Area.

2.9 Condominium Plan shall mean and refer to the Condominium Plan recorded August 2, _____, 19 84 File/Page NO 84-294631 Official Records of San Diego County, California, pursuant to California Civil Code Section 1351 covering the Condominium Property, including such amendments thereto as may from time to time be recorded.

2.10 Condominium Property shall mean and refer to that certain real property located in the County of San Diego, State of California, more particularly described as follows:

Lot 1 of VILLA TEMPRA, Chula Vista Tract NO. 4409 in the City of Chula Vista, County of San Diego, State of California, according to Map thereof No. 10973 filed in the Office of the County Recorder of San Diego County, State of California, on June 25, 1984.

2.11 Declarant(s) shall mean and refer to O'KEEFE DEVELOPMENT CO., INC., a California corporation, VILLA TEMPRA, INC., a California corporation, and O. TEMPRA, INC., a California corporation, their successors and assigns, if such successors and assigns should acquire more than one (1) undeveloped lot in the Condominium Property from Declarant(s) for the purpose of development.

2.12 Declaration shall mean that certain Declaration of Restrictions recorded August 2, 19 84, File/Page No. 84-294632, Official Records of San Diego County, California, as recorded and any amendments thereto, as recorded, and shall mean and refer to this enabling Declaration of Covenants, Conditions and Restrictions.

2.13 Directors shall mean the Board of Directors of the Association.

2.14 FHA shall mean and refer to the Federal Housing Authority.

2.15 FNMA shall mean and refer to the Federal National Mortgage Association.

2.16 Governing Body shall mean and refer to the Board of Directors of the Association.

2.17 Institutional Lender shall mean any bank, savings and loan association, insurance company, mortgage company, federal or state agency or other financial institution holding a recorded first mortgage on any condominium in the project.

2.18 Living Unit or Unit shall mean and refer to those portions of the Condominium Property shown and described as such on the Condominium Plan; provided, however, that the following are not part of any Living Unit: Bearing walls, columns, floor, roofs, foundations, central heating, central refrigeration and central air conditioning equipment, reservoir tanks, pumps and other central services, pipes, ducts, flues, chutes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located in the Living Unit.

2.19 Member shall mean and refer to an owner as defined in Paragraph 2.22 in this Article.

2.20 Mortgage shall mean and refer to a Deed of Trust as well as a mortgage.

2.21 Mortgagee shall mean the mortgagee under any real property mortgage or beneficiary under any deed of trust given for value, which mortgage or deed of trust encumbers any Condominium.

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

2.23 Project shall mean and refer to the entire real property above described, including all structures and improvements erected or to be erected thereon, and such additions as may hereafter be brought within the jurisdiction the Association.

2.24 Restricted Common Area shall mean that portion of the Common Area shown and described on the Condominium Plan and shall consist of balconies and patios.

2.25 Subdivider shall mean and refer to the Declarant(s), at all times herein mentioned in this document.

2.26 Subdivision shall mean and refer to the Project as defined in Section 2.23 of this Article.

2.27 VA shall mean and refer to the Veterans Administration.

ARTICLE 3

VOTING RIGHTS IN ASSOCIATION

3.1 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(s), and shall be entitled to one (1) vote for each Condominium owned. When more than one (1) person holds an interest in any Condominium, all such persons shall be members. The vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium.

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

- (a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or
- (b) in no event later than the second anniversary of the original issuance of the Subdivision Public Report for a single-phase development.

3.2 Declarant's (s') Rights. The requirement of approval of a prescribed majority of the voting power of the members of the Association other than Declarant(s) for action to be taken by the Association, is not intended to preclude Declarant(s) from casting votes attributable to the subdivision interests held by the Declarant(s).

ARTICLE 4

MEMBERSHIP ASSESSMENTS AND LIEN RIGHTS

4.1 Annual Assessments. The Board shall fix and determine from time to time annual assessments to be paid by each Owner for the purpose of operating, maintaining and repairing the Common Area, paying the necessary expenditures of the Association as provided in these Bylaws and the Declaration. The annual assessments shall include an adequate reserve fund for the periodic maintenance, repair and replacement of the Common Area as set forth in the Declaration.

4.2 Special Assessments. In addition to the annual assessments authorized above, the Board may levy special assessments for the purpose of defraying, in whole or in part, the cost of any capital improvement to the Common Area, including the cost of major repair or rebuilding, to reimburse the Association for costs and expenses incurred in enforcing compliance by an Owner or his Condominium with the provisions of the Declaration, the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board, or for such other purposes as set forth in the Declaration.

4.3 Lien Rights. As provided in the Declaration, the Association shall have a lien against the interest of each Owner in the Condominium Property to secure the full and prompt payment of all assessments levied by the Association in compliance with these Bylaws, and in the event of default by any Owner, said interest of such Owner may be foreclosed by the Association in the same manner as a realty mortgage or may be enforced by sale pursuant to Sections 2924, 2924(b), 2924(c) and 1356 of the California Civil Code, and to that end a power of sale is hereby conferred upon the Association. Any assessments which are not paid when due shall be delinquent. If the assessments are not paid within thirty (30) days after the due date, the assessments shall bear interest from the due date at the rate of ten percent (10%) per annum, and the Association may bring an action at law against the member personally obligated to pay the same and, in addition thereto or in lieu thereof, may foreclose the lien above provided, and interest, costs and reasonable attorney's fees incurred in any such action shall be added to the amount of such assessments. No member may waive or otherwise escape liability for the assessments provided for hereby by nonuse of the Common Area or abandonment of his Condominium.

4.3.1 A monetary penalty imposed by the Association as a disciplinary measure for (i) failure of a Member to comply with the governing instruments, or (ii) as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the Member was allegedly responsible, or (iii) in bringing the Member and his subdivision interest into compliance with the governing instruments, may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the Member's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the Civil Code.

4.4 Payment of Assessments by Declarant(s). The Declarant(s) shall pay all assessments levied by the Association against any Condominium owned by it at the same time, in the same manner and in the same amounts as any other Owner.

4.5 Commencement of Regular Assessments. The annual assessments in the Declaration shall commence as to all Condominiums on the first day of the month following the conveyance of the first Condominium to an Owner.

ARTICLE 5

MEMBERSHIP RIGHTS, PRIVILEGES AND PENALTIES

5.1 Membership Rights and Privileges. 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 7 of these Bylaws more fully provided. Unless otherwise provided in the Declaration and subject to the reasonable rules and regulations adopted by the Board, each member of the Association, his immediate family, guests and tenants shall have the right to use and enjoy the Common Area. 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 Condominium 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 therefor. The Member shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of suspension. Such suspension must be done in good faith and comply with a procedure that satisfies the minimum requirements of Section 7341 of the Corporation Code. 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. No suspension shall affect the rights of such member to access to his Living Unit nor his right to use of any Exclusive Use Area appurtenant to his Living Unit.

5.2 Penalties. The Board of Directors may adopt rules and regulations imposing reasonable monetary penalties for any period of time during which any member is determined by the Board to be in breach of the provisions of the Declaration or of these Bylaws. No such monetary penalty shall be effective unless the member receives fifteen (15) days' prior written notice of the proposed penalty and the reasons therefor and is given an opportunity to be heard either orally or in writing before the Board not less than five (5) days before the proposed effective date of the monetary penalty. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent the last address of the member shown on the Association's records. All procedures must comply with a procedure that satisfies the minimum requirements of Section 7341 of the Corporations Code.

5.2.1 All monetary penalties shall be subject to the limitation set by Section 4.3.3 herein.

ARTICLE 6

MEETINGS OF MEMBERS

6.1 Place of Meetings. All meetings of members shall be held within the Project, at a place which may be designated for that purpose from time to time by the Board of Directors.

6.2 Annual Meetings of Members. The first annual meeting of members shall be held no later than six (6) months after the close of escrow for the sale of the first Condominium by Declarant(s), or within forty-five (45) days after the close of escrow for the sale by Declarant(s) of fifty-one percent (51%) of the Condominiums, whichever shall first occur. Subsequent annual meetings of members shall be held on the annual anniversary of the first annual meeting of members. Should any annual meeting day fall upon a legal holiday, then such annual meeting of members shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday. An election of directors shall be held at the first annual meeting of members and all positions of directors shall be filled at that election. Written notice of each such annual meeting shall be given to each member and, upon written request therefor, to all first Mortgagees, either personally or by sending a copy of the notice through the mail or by telegraph, charges prepaid, to his address appearing on the books of the Association or supplied by him to the Association for the purpose of notice. If no address is supplied, notice shall be deemed to have been given him if mailed to the address of the Condominium owned by such member or encumbered by the first Mortgagee, or published at least once in some newspaper of general circulation in the County of said principal office. All such notices shall be sent not less than ten (10) days and not more than ninety (90) days before each annual meeting, and shall specify the place, day and hour of such meeting.

6.3 Special Meeting. Special meetings of members, for any purpose or purposes whatsoever, shall be promptly scheduled by the Board in response to (i) the vote of the Board itself; or (2) by the written request of five percent (5%) of the total voting power of the Association. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner as for annual meetings of members. Notices of any special meetings shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

6.3.1 Upon request in writing by registered mail to the President, a Vice President, the Secretary or Assistant Secretary, at the principal office of the Association, or delivered to such officer(s) in person by Members entitled to call a meeting of Members, it shall be the duty of such officer(s) forthwith to cause notice to be given, to Members entitled to vote, of a meeting to be held at such time as the Board of Directors may fix not less than 35 nor more than 90 days after the receipt of such request. If such notice shall not be given within 20 days after the receipt of or date of delivery of such request, Members calling the meeting may fix the date and time of the meeting and give notice thereof in the manner provided by these Bylaws. The date of any meeting fixed by Members as hereinabove provided shall be at such time in the future as will permit adherence to the notice requirement set forth in Section 6.6.

6.4 Adjourned Meetings and Notice Thereof. Any membership meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power present in person or represented by proxy, but in the absence of a quorum, no other business may be transacted at any such meeting.

6.5 Mortgagee Representation. First Mortgagees shall have the right to attend all membership meetings through a representative designated in writing and delivered to the Board.

6.6 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, postage prepaid, not less than ten (10) days, 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. Such notice shall specify the place, day and hour of the meeting those matters the Board intends to present for action by the members and, in the case of a special meeting, the purpose of the meeting. When a meeting is adjourned, notice of the adjourned meeting shall be given as in the case of an original meeting, except that when a meeting is adjourned for less than forty-five (45) days, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereafter other than by announcement at the meeting at which the adjournment is taken.

6.7 Voting. Voting of the members may be by viva voce or by ballot. All elections for directors shall be by secret written ballot. Cumulative voting is required for all elections in which more than two (2) directors are to be elected. No member shall be entitled to cumulative votes for a candidate or candidates unless such candidates' names have been placed in nomination prior to the voting and the member has given notice at the meeting prior to the voting of the member's intention to cumulate votes. If any one member has given such notice, all members at any election for directors, subject to the foregoing, shall have the right to cumulate votes and give one (1) candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Unless the entire Board is removed from office by the vote of the members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal or not consenting in writing to his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Any director elected to office solely by the votes of members other than Declarant(s) as provided below may be removed from office prior to the expiration of his term only upon the vote of a simple majority of the voting power of members other than Declarant(s). 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(s), or so long as there are two (2) outstanding classes of membership, not fewer than twenty percent (20%) of the directors may be elected solely by the voting power of members other than Declarant(s). The election of directors may be held at any meeting of members and each

member shall have the right to nominate from the floor candidates for the office of director.

6.8 Quorum. The presence in person or by proxy of fifty-one percent (51%) of the voting power entitled to vote at any meeting shall constitute a quorum for the transaction of business. 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. In the event any meeting of members cannot be held because a quorum is not present, the members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time of the original meeting date, at which meeting the quorum requirement shall be the same as a regular meeting provided, however, if after adjournment a new date is fixed for the adjourned meeting, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

6.9 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 a meeting duly held after regular call and notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

6.10 Action Without Meeting. Any action which may be taken at a meeting of 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. The Board of Directors may take action without a meeting if all of its members consent in writing to the actions to be taken. If the Board resolves by unanimous written consent to take an action, an explanation of the action to be taken shall be given by the Board to the members of the Association and shall be posted at a prominent place or places within the Common Area within three (3) days after all written consents have been obtained in the manner provided in Article 6, Section 6.6 for the giving of notice of regular meetings of the Board.

6.11 Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Each proxy shall be revocable and shall automatically cease upon conveyance by a member of his Condominium. All proxies shall be executed in accordance with the provisions of Section 7613 of the Nonprofit Mutual Benefit Corporation Law of the State of California, and shall be limited to a period of no longer than three (3) years.

ARTICLE 7

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

7.1 The affairs of this Association shall be managed by a Board of four (4) Directors who need not be members of the Association. Any change in the number of Directors by amendment to these Bylaws or the Articles must be adopted by the affirmative vote of a majority of the votes represented in voting at a duly held meeting at which a quorum is present (which affirmative vote also constitutes a majority of the required quorum).

7.2 Powers and Duties. The directors shall have the powers and duties set forth herein.

7.3 Election and Term of Office. At the first annual meeting of members, two (2) directors shall be elected for a term of one (1) year and two (2) directors for a term of two (2) years. Thereafter, directors shall be elected at each annual meeting of the members to fill the vacancies of those directors whose term then expires and the term of each such 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.

7.4 Removal. Any director may be removed from the Board with or without cause. Unless the entire Board of Directors is removed from office by the vote of the majority of Association Members, an individual Director shall not be removed prior to the expiration of his term in office, unless the votes cast against removal would be sufficient to elect a director if voted cumulative 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. In the event of death or resignation of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

7.5 Vacancies. Vacancies in the Board created by death or resignation may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting called for that purpose. Vacancies created by the removal of any director may be filled only by the vote of the membership. The members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the Bylaws is voted, authorizing an increase in the number of directors. If any director tenders his resignation to the Board, the Board shall have the power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

7.5.1 A Board member who was elected to office solely by the votes of the members other than the subdivider may be removed from office prior to the expiration of his term of office only by the vote of fifty-one percent (51%) of the voting power residing in members other than the subdivider.

7.6 Place of Meeting. All meetings of the Board shall be held within the Condominium property.

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

7.8 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at the office of the Association located within the project, or at such other places within the Condominium property as the Board may from time to time designate by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

7.8.1 Written notice of the regular meetings setting forth the date, time and place of said meetings shall be posted at a prominent place or places within the common area not less than four (4) days prior to the scheduled time of said meeting, and shall be communicated to the directors not less than four (4) days prior to said meeting; provided, however, that notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

7.9 Special Meetings. Special meetings of the Board for any purpose or purposes shall be called at any time by the President, or by any two (2) directors other than the President. Written notice of the time and place of special meetings and the nature of any special business to be considered shall be posted in the manner prescribed for notice of regular meetings and shall be sent to all directors by first class mail not less than four (4) days prior to the scheduled time of the meeting, or such notice shall be delivered personally or by telephone or telegraph not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, notice of the meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

7.10 Compensation and Fees. Neither the directors nor the officers of the Association shall receive any monetary compensation for their services performed in the conduct of business of the Association, except upon the vote or written consent of a majority of the voting power of each class of members of the Association, or after conversion of the Class B membership to Class A membership, except upon the vote or written assent of (i) fifty-one percent (51%) of the total voting power of the Association and (ii) fifty-one percent (51%) of the total voting power of the Members other than the Declarant.

7.10.1 Any Director or officer who receives compensation shall be excluded from any participation in any discussion or vote upon the decision to pay said compensation or the amount to be paid.

7.11 Attendance at Meetings and Executive Sessions. All organization, regular and special meetings of the Board shall be open to all members of the Association; 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 the Directors present at the meeting at which there is a quorum.

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

7.11.2 Only members of the Board shall be entitled to attend executive sessions.

7.12 Action Without Meetings. The Board may take action without a meeting if all of the Directors consent in writing to the action to be taken.

7.12.1 If the Board resolves by unanimous written consent to take action under Section 7.12, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consent of all Board Members have obtained.

7.13 Quorum. Fifty-one percent (51%) of the total number of the directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board.

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

7.15 Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting to be held after the regular call and notice if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Nothing contained herein shall remove the obligation to post the notice of all directors' meetings on the Common Area.

7.16 Entry of Notice. Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall constitute a rebuttable presumption that due notice of such special meeting was given to such director as required by law and these Bylaws.

7.17 Notice of Adjournment. Notice of any adjournment of any directors' meeting, either regular or special, to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

7.18 Nomination. Nomination for election to the Board of Directors 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 of Directors, and two (2) or more members of the Association. The nominating committee shall be appointed by the Board of Directors 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 of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or nonmembers.

7.18.1 Each nominee shall have the opportunity to communicate to members his qualifications and the reasons for his candidacy (i) at the meeting at which the vote shall take place, and (ii) by mail prior to the meeting. Upon written request by any nominee and the payment of the reasonable costs of mailing (including postage), the

Association shall within ten (10) business days after such request mail to all members any material which the nominee may furnish and which is reasonably related to the election.

7.19 Election. Election to the Board of Directors shall be by secret written ballot. At such election, the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions herein. The persons receiving the largest number of votes shall be elected.

ARTICLE 8

OFFICERS AND THEIR DUTIES

8.1 Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer. The Association may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as may be appointed in accordance with the provisions of Section 8.3 of this Article. Any two or more offices, except those of President and Secretary, may be held by the same person.

8.2 Appointment. The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 8.3 or Section 8.5 of this Article, shall be chosen annually by the Board of Directors, and each shall hold office until his successor shall be appointed or until his earlier resignation, removal or disqualification.

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

8.4 Removal and Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, or to the President or to the Secretary of the Association. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board or, except in case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

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

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

8.7 President. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Association. He shall preside at all meetings of the members and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be an ex officio member of all standing committees and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws. The President shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of the Association.

8.8 Vice President(s). In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors (or if not ranked, the Vice President designated by the Board of Directors) shall perform all of the duties of the President, and when so acting shall have all powers of, and be subject to all of the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws.

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

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

8.9.2 The Secretary shall give, or cause to be given, notice of all the meetings of the Members and of the Board of Directors required by the Bylaws or by statute to be given; and he shall keep the seal of the Association in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

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

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

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

8.10.2 If required by the Board of Directors, the Treasurer shall give the Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property, or whatever kind in his possession or under his control belonging to the Association.

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

ARTICLE 9

POWERS AND DUTIES OF THE ASSOCIATION

Subject to the Declaration, the Articles of Incorporation, and the California Nonprofit Corporation Law, the Board of Directors shall have the following powers and duties:

9.1 Selection of Officers. To select and remove all the officers, agents and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with law, the Articles of Incorporation, these Bylaws or the Declaration, and, subject to the provisions of 7.10 of Article 7 of these Bylaws, to fix their compensation.

9.2 Management of Business. To conduct, manage and control the affairs and business of the Association, and to make such rules and regulations therefor not inconsistent with law, the Articles of Incorporation, these Bylaws or the Declaration as they deem best, including rules and regulations for the operation of the Common Area and the recreational facilities located thereon and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof.

9.3 Borrowing of Money. To borrow money and incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the corporate name, promissory notes or other evidences of debt and with the vote or written assent of two-thirds (2/3) of the voting power of each class of members of the Association (i) to hypothecate any or all of the real or personal property owned by the Association as real security for money borrowed or debts incurred, and (ii) to sell any real or personal property owned by the Association. After conversion of the Class B

membership to Class A membership, the action herein requiring membership approval shall require the vote or written consent of (i) two-thirds (2/3) of the total voting power of the Association; and (ii) two-thirds (2/3) of the total voting power of members, other than the Declarant(s).

9.4 Insurance. To contract and pay for fire, casualty, liability, fidelity and other insurance adequately insuring the Association and Owners with respect to the Common Area and the affairs of the Association, which shall include bonding of the members of any management body. Notwithstanding any provisions to the contrary herein, so long as the VA holds a Mortgage on a Condominium in the Project, or owns a Condominium, the Association shall continuously maintain in effect such casualty and liability insurance and fidelity bond, meeting all requirements and containing such coverage and endorsements as may be required from time to time by VA. Such casualty insurance shall include, but not be limited to, a condominium master or blanket policy with full replacement cost coverage and an agreed value endorsement. Whether or not VA holds any Mortgage, fidelity insurance shall be in the form of a bond in an amount equal to one hundred fifty percent (150%) of the Association's annual assessment plus reserves, which names the Association as obligee and protects against misuse and misappropriation of the Association property by members of the Board, officers and employees of the Association and any management agent and his employees whether or not any such persons are compensated for their services.

9.5 Payment of Common Area Utilities. To pay all charges for water, electricity, gas, CATV and other utility services for the Common Area and, to the extent not separately metered or charged, for each Living Unit and Exclusive Use Area.

9.6 Management of the Common Area. To manage, operate, maintain and repair the Common Area and all improvements located thereon, including the parking and drainage facilities and the restoration and replacement of any or all of the buildings, structures and improvements which are part of the Common Area at any time and from time to time as the Board may determine desirable or necessary; and to make capital expenditures for and on behalf of the Association. Any aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenditures of the Association for that fiscal year must require the vote or written assent of (i) fifty-one percent (51%) of the total voting power of the Association and (ii) fifty-one percent (51%) of the total voting power of the Members other than the Declarant.

9.7 Right to Enter. To enter onto any Exclusive Use Area subject to the limitations set forth in the Declaration.

9.8 Right to Contract. The Association through the Board and Officers shall have the right to enter contracts for the benefit of Association and the Members. However, the Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a fifty-one percent (51%) of the total voting power of the Association residing in Members other than the Declarant.

Entering into a contract with a third person wherein the third person will furnish goods or services for the common area or the Owners' Association for a term longer than one year with the following exceptions:

- (a) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;
- (b) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; and
- (c) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.
- (d) Lease agreements for laundryroom fixtures and equipment of not to exceed five (5) years duration; provided, that the lessor under the agreement is not an entity in which the Declarant(s) has(have) a direct or indirect ownership interest of ten percent (10%) or more.

9.9 Payment of Taxes on Common Area. To pay any taxes and governmental special assessments which are or could become a lien on the Common Area or any portion thereof.

9.10 Adoption of Rules. To adopt reasonable rules not inconsistent with the provisions contained in the Declaration, and to amend the same from time to time relating to the use of the Common Area and the facilities located thereon.

9.11 Right of Discipline. To suspend the voting rights and right to use the recreational facilities located on the Common Area of a Member who is in default in the payment of any assessment for any period during which such assessment remains unpaid, and for a period not to exceed thirty (30) days for any infraction of its published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board, as provided in Article 5 of these Bylaws.

9.12 Preparation of Budgets and Financial Statements. To prepare budgets and financial statements for the Association as provided in these Bylaws.

9.13 Notification to Mortgagee in These Bylaws. Upon the written request of the holder of any first Mortgage encumbering any Condominium, to notify the same in writing of any default specified in the Declaration, by the Owner of such Condominium in the performance of the Owner's obligations, which is not cured within thirty (30) days. In addition, upon the written request of the holder of any first mortgage, to give timely written notice to such first Mortgagees of any substantial damage to or destruction of any Living Unit or Exclusive Use Area or any part of the Common Area and, if any Living Unit or Exclusive Use Area, or any portion thereof, or the Common Area, or any portion thereof, is made the subject of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, to give timely written notice to such first Mortgagees of any such proceeding or proposed acquisition.

9.14 Right to Litigate. To prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area or the property owned by the Association, and any action in which all or substantially all of the Owners have an interest.

9.15 Right to Delegate. To delegate any of its powers hereunder to others, including committees, officers and employees, except the right to hold meetings, levy fines or to impose discipline.

9.16 Availability of Documentation. To make available to any prospective purchaser of a Condominium, any owner of a Condominium, any first mortgagee, and the holders, insurers and guarantors of a first mortgage on any Condominium, current copies of the Declaration, the Articles, the Bylaws, the rules governing the condominium and all other books, records and financial statements of the Association.

9.17 Right to Grant Easements. To grant utility easements under, through and over the Common Area which are reasonably necessary to the ongoing development and operation of the Project.

9.18 Authorization to Contract. To authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Association. Such authority may be general or confined to specific instances, and unless so authorized by the Board, no officer, agent or employe shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.19 Duty to Make Records Available for Inspection. To keep in its principal office for the transaction of business or at such place within the Condominium Property as the Board shall prescribe the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the secretary, a membership register, books of accounts and copies of minutes of all membership, board and committee meetings, all of which shall be made available for inspection and copying by any member of the Association, or by any member's duly appointed representative and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to his interest as a member or Mortgagee. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the member or Mortgagee desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the costs of reproducing copies of documents requested.

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

9.20 Checks. To cause to be issued checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, in the name of or payable to the Association, which shall be signed or endorsed by the president and treasurer of the Association.

9.21 Financial Reports: The following financial information shall be regularly prepared and distributed by the Directors to the Members:

9.21.1 A budget for each fiscal year consisting of at least the following information shall be distributed not less than 45 days prior to the beginning of the fiscal year.

A. Estimated revenue and expenses on an accrual basis.

B. The amount of the total cash reserves of the Association currently available for replacement for major repair of common facilities and for contingencies.

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

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

9.21.2 A balance sheet - as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the subdivision - and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name of the entity assessed.

9.21.3 An annual report to be sent to Members within 120 days after the close of the fiscal year, consisting of the following: (i) a balance sheet as of the end of the fiscal year, (ii) an operating (income) statement for the fiscal year, (iii) a statement of changes in financial position for the fiscal year, (iv) a statement of the place where the names and addresses of the current Members are located, (v) a brief description of any transaction (excluding compensation of officers and directors) covered by Section 8322 of the Corporations Code during the previous fiscal year involving more than \$40,000.00, or which was one of a number of such covered transactions in which the same interested person had a direct or indirect material financial interest, and which transactions in the aggregate involved more than \$40,000.00, (vi) the names of the interested persons involved in such transactions, stating such person's relationship to the Association, the nature of such person's interest in the transaction and, where practicable, the amount of such interest, provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated, and (vii) a brief description of the amount and circumstances of any indemnifications or advances aggregating more than \$10,000.00 paid during the fiscal year to any Director pursuant to Section 7237 of the Corporations Code.

9.21.3.1 Ordinarily the annual report referred to in Section 7.1 shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds \$75,000.00.

9.21.3.2 If the annual report referred to in Section 7.1 is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without independent audit from the books and records of the Association.

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

9.22 Initial Financial Report: The Board of Directors shall cause an initial financial report to be sent to Members not later than 60 days after the close of an accounting period which shall close on the last day of the month closest in time to six months after the sale and conveyance by Declarant(s) of the first Condominium in the Project.

9.22.1 The initial financial report shall include (i) a balance sheet as of such closing date, (ii) a statement of cash receipts and disbursements for the accounting period ended on such closing date and (iii) a schedule of assessments received and receivable itemized by Unit number and by the name of the Owner(s) so assessed.

9.23 Distribution of Financial Statements: All financial statements for the Association shall be regularly prepared and distributed to all Members regardless of the number of Members or the amount of assets of the Association.

9.24 Restrictions. The Board of Directors shall ordinarily be prohibited from taking any of the following actions except with the vote or written consent of a majority of the voting power of the Association residing in members other than the Declarant(s):

- (a) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;
- (b) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;
- (c) Pay compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association; or
- (d) Fill vacancies on the Board created by the removal of a director.

9.25 Indemnification to Prospective Purchasers.

The Board shall make all information available to any prospective purchaser pursuant to the requirements of Civil Code Section 1360 and any successor statute.

ARTICLE 10

COMMITTEES

10.1 Architectural Control Committee.

10.1.1 The Association shall have an Architectural Control Committee for the purpose of advising the Board of Directors on matters of structural and landscaping architecture and design within the Project. The Architectural Control Committee shall consist of five (5) members and shall have such powers and perform such duties as the Board of Directors shall delegate therein.

10.1.2 Declarant(s) may appoint all of the original members of the Architectural Control Committee and all replacements until the first anniversary of the issuance of the original public report for the project. Declarant(s) may reserve to itself the power to appoint a majority of the members of the Committee until ninety percent (90%) of the Condominiums in the project have been sold, or until the fifth anniversary of the original issuance of the final public report for the project, whichever first occurs.

10.1.3 After one (1) year from the date of issuance of the original public report for the project, the Board of Directors of the Association shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of all of the Condominiums in the project have been sold, or until the fifth anniversary date of the original issuance of the final report for the project, whichever first occurs. Thereafter, the Board of Directors of the Association shall have the power to appoint all of the members of the Architectural Control Committee.

10.1.4 Any vacancy on the Architectural Control Committee by reason of death, resignation or removal by the Board shall promptly be filled by the Board with a member(s) of the Association. If any position on the Architectural Control Committee cannot be filled by the Board with a member, then in such event, the Board may appoint a nonmember(s) to fill such position(s). Members appointed to the Architectural Control Committee by the subdivider need not be members of the Association.

10.2 Executive and Other Committees. The Board of Directors may appoint an Executive Committee, and such other committees as may be necessary from time to time, consisting of such number of its members and with such powers as it may designate, and consistent with the Articles, these Bylaws, the Declaration of Restrictions and the laws of the State of California. Such committees shall hold office at the pleasure of the Board and need not be reappointed annually.

ARTICLE 11

AMENDMENT

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 fifty-one percent (51%) 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 fifty-one percent (51%) of the voting power of the Association, and (ii) at least fifty-one percent (51%) of the voting power of members of the Association other than Declarant(s).

11.1 Other Requirements for Amendments. Notwithstanding the provisions above, the percentage of a quorum or of the voting power of the Association or of Members other than the subdivider necessary to amend a specific clause or provision in the Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

So long as there is Class B membership in the Association, any amendment to these Bylaws shall require the prior approval of the Veterans Administration.

11.2 No Amendment by Directors. Anything contained herein to the contrary notwithstanding, the Board of Directors shall not have any right or power to adopt, amend or repeal any of these Bylaws.

11.3 Record of Amendments. Whenever an amendment or new Bylaw is adopted, it shall be copied in the appropriate place in the book of Bylaws with the original Bylaws. If any Bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in said book.

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of the VILLA TEMPRA OWNERS' ASSOCIATION, INC., a California Nonprofit Mutual Benefit Corporation; and

2. That the foregoing Bylaws, comprising of 21 pages, constitute the Bylaws of said corporation duly adopted at the meeting of the Board of Directors thereof duly held on July 12, 1984.

