

BYLAWS
OF
HERSCHEL CONDOMINIUMS ASSOCIATION

ARTICLE I

Office

The office of this corporation shall be located in the County of San Diego, State of California.

ARTICLE II

Definitions

Section 1. "Corporation" shall mean and refer to HERSCHEL CONDOMINIUMS ASSOCIATION, a California corporation not for profit, its successors and assigns.

Section 2. "Condominium Property" shall mean and refer to that certain real property located in San Diego County, California, described as such in the Declaration recorded in the Office of the County Recorder of San Diego County, California, owners of Condominiums in which are required to be members of the Corporation.

Section 3. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of any Condominium, including contract sellers but excluding those having such interest merely as security for the performance of an obligation.

Section 4. "Declaration" shall mean and refer to the Declaration of Restrictions recorded with the Office of the County Recorder of San Diego County, California, covering the Condominium Property, including such amendments thereto as may from time to time be recorded.

Section 5. "Condominium Plan" shall mean and refer to the Condominium Plan recorded pursuant to California Civil Code Section 1351 covering the Condominium Property, including such amendments thereto as may from time to time be recorded.

Section 6. "Condominium" shall mean and refer to a fee simple estate in the Condominium Property, or portions thereof, as defined in California Civil Code Section 783 and shall consist of a fee interest in a Living Unit and an undivided fractional interest as tenant in common in the Common Area.

Section 7. "Living Unit" shall mean and refer to those portions of the Condominium Property shown and described as such on the Condominium Plan and as defined in the Declaration.

Section 8. "Common Area" shall mean and refer to all portions of the Condominium Property not located within a Living Unit.

Section 9. "Exclusive Use Area" shall mean and refer to those portions of the Common Area which an Owner has the exclusive right to use as set forth in the Declaration and as shown on the Condominium Plan.

Section 10. "Declarant" shall mean and refer to LSK ENTERPRISES, INC., a California corporation, SAMUEL R. HALL and LYNNE J. HALL, their successors and assigns.

Section 11. "Mortgage" shall mean and refer to a deed of trust as well as a mortgage encumbering any Condominium.

Section 12. "Mortgagee" shall mean and refer to the beneficiary of a deed of trust, its successors and assigns as well as a mortgagee of a mortgage encumbering a Condominium.

Section 13. "Board" shall mean and refer to the Board of Directors of the Corporation.

ARTICLE III

Members

This Corporation shall have two (2) classes of voting membership:

CLASS A MEMBERS. Class A members shall be all Owners with the exception of the Declarant, and each shall be entitled to one (1) vote for each Condominium owned; provided, however, co-owners of a Condominium shall not be entitled to divide their vote and not more than one (1) vote may be cast with respect to any Condominium.

CLASS B MEMBER. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Condominium owned by it until the number of votes of the Class A members equals the number of votes of the Class B members, or until two (2) years following the date of original issuance by the California Department of Real Estate of the Final Subdivision Public Report covering the Condominium Property, whichever shall first occur, at which time the Class B membership shall automatically terminate and forever cease to exist, and the Declarant shall thereafter be a Class A member of the Corporation and shall

thereafter be entitled to one (1) vote for each Condominium owned by the Declarant.

The transfer of title to any Condominium shall automatically transfer the membership appurtenant to such Condominium to the transferee.

ARTICLE IV

Membership Assessments and Lien Rights

Section 1. REGULAR ASSESSMENTS. The Board shall fix and determine from time to time regular assessments to be paid by each Owner for the purpose of operating, maintaining and repairing the Common Area, paying the necessary expenditures of the Corporation as provided in these Bylaws and the Declaration and establishing an operating reserve fund and reserve for replacement; provided, however, that the Board may not, without the vote or written assent of a majority of the voting power of each class of members, increase the regular assessments during any fiscal year of the Corporation more than twenty percent (20%) above the regular assessments established for the immediately preceding fiscal year. Such assessments shall be assessed against and paid by each Owner monthly, or upon such other periodic basis as the Board may determine. Regular assessments shall be levied upon each Owner equally as set forth in the Declaration, and shall be in an amount sufficient to include an adequate reserve fund for maintenance, repairs and replacement of those portions of the Common Area which must be replaced on a periodic basis.

Section 2. SPECIAL ASSESSMENTS. In addition to the regular 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 or such other purpose as may be determined by the Board; provided, however, that, except as otherwise provided in the Declaration, no special assessment shall exceed in the aggregate during any fiscal year of the Corporation an amount equal to five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year, without the vote or written assent of a majority of the voting power of each class of members of the Corporation. All such special assessments shall be levied upon each Owner in the same proportion as regular assessments as set forth in the Declaration.

The Board may also levy special assessments against individual Owners to reimburse the Corporation for costs and expenses incurred in enforcing compliance by such Owner or his Condominium with the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Corporation and the rules and regulations adopted by the Board. The provisions of the preceding

paragraph of this Section 2 shall not apply to such special assessments.

Section 3. LIEN RIGHTS. As provided in the Declaration, the Corporation 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 Corporation in compliance with these Bylaws, and in the event of default by any Owner, the interest of the Owner may be foreclosed by the Corporation 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 Corporation, and any redemption thereafter shall be subject to the lien hereby created as to other or future events of default.

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 Corporation 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, penalties, 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 Living Unit.

Section 4. PAYMENT OF ASSESSMENTS BY DECLARANT. The Declarant shall pay all assessments levied by the Corporation against any Condominium owned by it at the same time, in the same manner and in the same amounts as if such Condominium were owned by any other Owner.

Section 5. COMMENCEMENT OF REGULAR ASSESSMENTS. The regular assessments shall commence as to all Condominiums the first day of the calendar month following the close of the first sale of a Condominium by Declarant.

ARTICLE V

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 VII of

these Bylaws more fully provided. Unless otherwise provided in the Declaration and subject to the rules and regulations adopted by the Board, each member of the Corporation, his immediate family, guests and tenants shall have the right to use and enjoy the Common Area, other than those portions thereof the exclusive right to use of which has been granted to others.

The membership rights and privileges, together with the voting rights of any member of the Corporation, may be suspended by the Board for any period of time during which such member is determined by the Board to be in breach of the Declaration or has not complied with his obligations imposed by these Bylaws or the rules and regulations adopted by the Board. The Board may adopt rules and regulations imposing reasonable monetary penalties for such breach or noncompliance; provided, however, that no such suspension or monetary penalty shall be effective until the Board gives to such member the opportunity of a hearing before the Board, which hearing shall be held not sooner than ten (10) days following the delivery to such member of written notice thereof, and no suspension imposed by reason of a violation of rules and regulations adopted by the Board shall exceed a period of thirty (30) days. No such suspension shall affect the rights of such member to access to his Living Unit nor his right to use of the Exclusive Use Area which he has the exclusive right to use.

ARTICLE VI

Meetings of Members

Section 1. PLACE OF MEETING. All meetings of members shall be held at the Condominium Property or at such other location in San Diego County, California, in reasonable proximity to the Condominium Property, as may be designated in the notice of meeting.

Section 2. ANNUAL MEETINGS OF MEMBERS. The first annual meeting of members shall be held within six (6) months after the close of escrow for the sale of the first Condominium by Declarant, or within forty-five (45) days after close of escrow for the sale by Declarant of fifty-one percent (51%) of the Condominiums covered by the Final Subdivision Public Report issued by the California Department of Real Estate for the Condominium Property, 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 director shall be filled at that election.

conduct such election by mail as provided herein, all elections for directors shall be by secret written ballot upon demand made by any member at any election before the voting begins. Any such member at any election for directors shall have the right to cumulate his 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 is greater than the quotient arrived at by dividing the total number of votes which may be cast under cumulative voting procedures by a divisor equal to one (1) plus the authorized number of directors. Any director elected to office solely by the votes of members other than Declarant 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. Anything contained herein to the contrary notwithstanding, at the first election of directors by members and thereafter for so long as a majority of the voting power of members is held by Declarant, or so long as there are two (2) outstanding classes of membership, not fewer than twenty percent (20%) of the directors shall be elected solely by the votes of members other than Declarant. In the event the election of directors is held at any meeting of members, each member shall have the right to nominate from the floor candidates for the office of director. In the event the election of directors is held by mail, the directors shall appoint a nominating committee composed of at least one (1) member of the Board and not fewer than two (2) members who are not directors. Such committee shall nominate and place on the ballot at least as many candidates as there are directors to be elected, and write-in candidates shall be permitted.

Section 7. QUORUM. The presence in person or by proxy of a majority of the total 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 fewer than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the total voting power of the membership of the Corporation.

Section 8. CONSENT OF ABSENTEES. The transactions of any meeting of members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 9. ACTION WITHOUT MEETING. Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the members, may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote at a meeting for such purpose and filed with the secretary of the Corporation.

Section 10. PROXIES. Every person entitled to vote or execute consents shall have the right to do so either in person or by a written proxy executed by such person and filed with the secretary of the Corporation. All proxies shall be revocable and shall automatically terminate upon transfer of title of a Condominium by the Owner, or upon the death or incapacity of the member giving the proxy. No proxy shall be effective after eleven (11) months following the date of its execution.

ARTICLE VII

Directors

Section 1. POWERS AND DUTIES. Subject to the Declaration and to the limitations of the Articles of Incorporation, these Bylaws, and the California Corporations Code as to action to be authorized or approved by the members, and subject to the duties of directors as prescribed by the Declaration and these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board. Without prejudice to such general powers but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers and duties:

(a) To select and remove all the officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, the Articles of Incorporation, the Bylaws or the Declaration, and, subject to the provisions of Section 14 of this Article VII of the Bylaws, to fix their compensation.

(b) To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, the Articles of Incorporation, the Bylaws or the Declaration as they deem best, including rules and regulations for the operation of the Common Area and facilities owned or controlled by the Corporation.

(c) To change the principal office for the transaction of the business of the Corporation from one location to another within the same county; to designate any place within the County of San Diego, State of California, for the holding of any membership meeting or meetings and to adopt, make and use a corporate seal, and to alter the form of such seal from time to time as in their judgment they may deem best, provided such seal shall, at all times, comply with the provisions of law.

(d) To borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor; provided, however, that the Board shall not have the power to borrow money for the Corporation during any fiscal year in excess of the aggregate sum of, nor to sell during any fiscal year property of the Corporation having an aggregate fair market value greater than, five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the vote or written assent of a majority of the voting power of each class of members of the Corporation.

(e) To contract and pay for fire, casualty, liability, fidelity and other insurance adequately insuring the Corporation and Owners with respect to the Common Area and the affairs of the Corporation, which may include bonding of the members of any management body. Notwithstanding any provisions to the contrary herein, so long as the Federal National Mortgage Association ("FNMA") holds a mortgage on a Condominium in the project, or owns a Condominium, the Corporation shall continuously maintain in effect such casualty and liability insurance and a fidelity bond, meeting all requirements and containing such coverage and endorsements as may be required from time to time by FNMA. 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.

(f) 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.

(g) To manage, operate, maintain and repair the Common Area and all improvements located thereon, including the restoration and replacement of any or all of the buildings, structures or 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 Corporation; provided, however, that no single capital expenditure may be made during any fiscal year of the Corporation in excess of five percent (5%) of the budgeted gross expenses of the Corporation for that fiscal year without the vote or written assent of a majority of the voting power of each class of members of the Corporation.

(h) To enter onto any Living Unit and Exclusive Use Area as may be necessary for the purpose of carrying out any of the powers or duties of the Board as herein set forth or as set forth in the Declaration, including such entry as may be necessary in connection with the construction, maintenance or emergency repair of the Common Area, at any reasonable hour and, except in the case of emergency, after reasonable notice.

(i) To enforce the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Corporation, the rules and regulations adopted by the Board and the provisions of any agreement to which the Corporation is a party.

(j) To contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to the Common Area, and to employ personnel necessary for the operation and maintenance of the same, including legal and accounting services; provided, however, that the term of any contract with a third person for supplying goods or services to the Common Area or for the Corporation shall not exceed a term of one (1) year unless a longer term is approved by a majority of the voting power of each class of members of the Corporation, except that a contract with a public utility company for materials or services the rates for which are regulated by the Public Utilities Commission may exceed a term of one (1) year so long as it does not exceed the shortest term for which the public utility will contract at the regulated rate, and a contract for prepaid casualty and/or liability insurance policies may be for a term of not to exceed three (3) years provided that the policy permits short rate cancellation by the Corporation. Anything contained herein to the contrary notwithstanding, the Board shall not terminate professional management of the Condominium Property and assume self-management without the prior written approval of Mortgagees holding seventy-five percent (75%) or more of the first Mortgages on Condominiums and any agreement for management of the Condominium Property and any other contract providing for services by Declarant shall be terminable for cause upon thirty (30) days written notice, and

without cause or payment of a termination fee upon ninety (90) days, or fewer, written notice and shall have a maximum term of one (1) year.

(k) To pay any taxes and governmental special assessments which are or could become a lien on the Common Area or any portion thereof.

(l) To initiate and execute disciplinary proceedings against members of the Corporation for violations of the provisions of the Articles of Incorporation and Bylaws of the Corporation, the Declaration and the rules and regulations adopted by the Board.

(m) To prepare budgets and financial statements for the Corporation as provided in these Bylaws.

(n) Upon the written request of the holder of any first Mortgage encumbering any Condominium, to notify the same in writing of any default by the Owner of such Condominium in the performance of the Owner's obligations under these Bylaws or the Declaration which is not cured within thirty (30) days.

(o) To give notice in writing to the Federal Home Loan Mortgage Corporation ("FHLMC") in care of the servicers of FHLMC loans on Condominiums of any loss to or taking of the Common Area if such loss or taking exceeds \$10,000.00, and of any damage to a Living Unit if such damage exceeds \$1,000.00.

(p) To give timely written notice to all first Mortgagees of any substantial damage to or destruction of any Living Unit or any part of the Common Area and, if any Living Unit 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 all first Mortgagees of any such proceeding or proposed acquisition.

(q) To prosecute or defend, in the name of the Corporation, any action affecting or relating to the Common Area or the property owned by the Corporation and any action in which all or substantially all of the Owners have an interest.

(r) As permitted in the Declaration, to sell the Condominium Property for the benefit of all of the Owners and their Mortgagees, as their interests may appear, at such price and upon such terms as the Board may determine reasonable.

(s) To delegate any of its powers hereunder to others, including committees, officers and employees, including the dele-

gation of the functions of architectural control to an architectural committee appointed by the Board.

Section 2. NUMBER AND QUALIFICATIONS OF DIRECTORS. The Board shall consist of three (3) directors until changed by amendment to this section of the Bylaws. Directors need not be members of the Corporation.

Section 3. ELECTION AND TERM OF OFFICE. At the first annual meeting of members, three (3) directors shall be elected for a term of one (1) year. Thereafter, directors shall be elected at each annual meeting of members to fill the vacancies of those directors whose term then expires and the term of each such director so elected shall be one (1) year. If any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of members held for that purpose. All directors shall hold office until their successors are elected. The election of directors may be conducted by mail in such manner as the Board may determine.

Section 4. VACANCIES. Vacancies in the Board 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.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any director, or if the members shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect the additional directors so provided for, or in case the members fail at any time to elect the full number of authorized directors.

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 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.

Section 5. PLACE OF MEETING. All meetings of the Board shall be held within the Condominium Property.

Section 6. ORGANIZATION MEETING. Immediately following each annual meeting of 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.

Section 7. OTHER REGULAR MEETINGS. Other regular meetings of the Board shall be held without call bi-monthly at such time as the Board shall determine, provided, however, should said day fall upon a legal holiday, then said meeting shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such regular meetings of the Board shall be posted at a prominent place within the Common Area but otherwise is hereby dispensed with.

Section 8. 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 delivered personally to the directors or sent to each director by letter or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the Corporation or, if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Corporation is located at least seventy-two (72) hours prior to the time of the holding of the meeting. In case such notice is personally delivered as above provided, it shall be so delivered at least twenty-four (24) hours prior to the time of holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such director. Written notice of all special meetings shall also be posted in a manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting.

Section 9. NOTICE OF ADJOURNMENT. Notice of adjournment of any directors' meeting, either regular or special, need not be given to absent directors if the time and place are fixed at the meeting adjourned.

Section 10. 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 create a rebuttable presumption that due notice of such special meeting was given to such director as required by law and these Bylaws.

Section 11. 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 duly held after 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.

Section 12. QUORUM. A majority 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.

Section 13. ADJOURNMENT. A quorum of the directors may adjourn any directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the 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.

Section 14. COMPENSATION AND FEES. Neither the directors nor the officers of the Corporation shall receive any monetary compensation for their services performed in the conduct of the business of the Corporation, except upon the vote or written consent of a majority of the voting power of each class of members of the Corporation. Nothing herein contained shall be construed or preclude any director or officer from serving the Corporation in any other capacity as an agent, employee or otherwise and receiving compensation therefor. Directors and officers of the Corporation may be reimbursed for expenses incurred in carrying on the business of the Corporation.

Section 15. ATTENDANCE AT MEETINGS AND EXECUTIVE SESSIONS. Regular and special meetings of the Board shall be open to all members of the Corporation; provided, however, that members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board may, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Corporation is or may become involved and other matters of business of a similar nature. Only members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE VIII

Officers

Section 1. OFFICERS. The officers of the Corporation shall be a president, a vice president, a secretary and a treasurer. The Corporation may also have, at the discretion of the Board, one (1) or more assistant secretaries, one (1) or more assistant treasurers and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Officers other than the president need not be directors. One (1) person may hold two (2) or more offices, except those of president and secretary.

Section 2. ELECTION. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article VIII, shall be chosen annually by the Board, and each shall hold his office until he shall resign, or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. SUBORDINATE OFFICERS. The Board may appoint such other officers as the business of the Corporation 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 may from time to time determine.

Section 4. REMOVAL AND RESIGNATION. 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.

Any officer may resign at any time by giving written notice to the Board or the president, or to the secretary of the Corporation. 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.

Section 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.

Section 6. PRESIDENT. The president shall be the chief executive officer of the Corporation and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Corporation. He shall

preside at all meetings of the members and at all meetings of the Board. He shall be ex-officio a member of all standing committees, including the Executive Committee, if any, 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 or by the Bylaws.

Section 7. VICE PRESIDENT. In the absence or disability of the president, the vice president shall perform all the duties of the president, and when so acting shall have all powers of and be subject to all the restrictions upon the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or by the Bylaws.

Section 8. SECRETARY. The secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board may order of all meetings of directors and members, with the time and place of holding, whether regular or special and if special how authorized, the notice thereof given, the names of those present at the directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

The secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board required by the Bylaws or by law to be given, and he shall keep other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

Section 9. 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 Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any director.

The treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. He shall disburse the funds of the Corporation as may be ordered by the Board, 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 Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

ARTICLE IX

Miscellaneous

Section 1. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by resolution of the Board.

Section 2. CONTRACTS, ETC. HOW EXECUTED. The Board, except as in the Bylaws otherwise provided, may 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 Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 3. INSPECTION OF BOOKS AND RECORDS. The Corporation shall keep in its principal office for the transaction of business or at such other 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 account 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 Corporation, 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 Corporation and the Common Area. The right of inspection by a director shall include the right at his expense to make extracts and copies of documents.

Section 4. FISCAL YEAR. The fiscal year of the Corporation shall be determined by the Board and having been so determined is subject to change from time to time as the Board shall determine.

Section 5. FINANCIAL STATEMENTS. The Board shall cause a financial statement (including a balance sheet and income and expense statement) of the affairs of the Corporation to be made:

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

(b) as of the last day of each fiscal year of the Corporation. Said financial statement shall reflect the financial condition of the Corporation as of said date and shall summarize the financial transactions in which the Corporation was involved during the period between the close of the first sale of a Condominium or the last of such financial statements and the date of the current financial statement. Said financial statement shall include an external audit by an independent public accountant for any fiscal year in which the gross income of the Corporation exceeds \$75,000.00, and a copy of the financial statement shall be distributed personally or by mail to each member of the Corporation and, upon written request, to all first Mortgagees within ninety (90) days following the end of each fiscal year.

Section 6. BUDGET. The Board shall cause a pro forma operating statement (budget) for the Corporation to be prepared for the second and each succeeding fiscal year of the Corporation, a copy of which shall be distributed personally or by mail to each of the members of the Corporation not less than sixty (60) days prior to the beginning of the fiscal year to which the budget relates.

ARTICLE X

Amendments

Except as otherwise provided herein, new Bylaws may be

adopted or these Bylaws may be amended or repealed by the vote of the members entitled to exercise a majority of the voting power of each class of members of the Corporation or by the written assent of such members; provided, however, that no material amendment to the Bylaws shall be made without the prior written approval of Mortgagees holding seventy-five percent (75%) of the first Mortgages encumbering Condominiums.

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of HERSCHEL CONDOMINIUMS ASSOCIATION, a California nonprofit mutual benefit corporation; and,

2. That the foregoing Bylaws, comprising nineteen (19) pages, constitute the Bylaws of said corporation duly adopted by Written Consent of the Incorporator of said corporation dated June 2, 1980.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 3rd day of June, 1980.

Wayne H. Winters
WAYNE WINTERS, Secretary

RESOLUTION ADOPTED BY
WRITTEN CONSENT OF INCORPORATOR
OF
HERSCHEL CONDOMINIUMS ASSOCIATION,
a California nonprofit mutual benefit corporation

June 2, 1980

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

WHEREAS, the original Articles of Incorporation of this corporation were filed in the Office of the California Secretary of State on May 14, 1980; and,

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

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

WHEREAS, there have been considered by the incorporator Bylaws for the regulation of the affairs of this corporation; and,

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

WHEREAS, a Board of Directors should be appointed by the incorporator to take over the management of this corporation;

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

RESOLVED, FURTHER, that the Secretary of this corporation be and is hereby authorized and directed to execute a certificate of the adoption of said Bylaws and to insert said Bylaws as so certified in the minute book of this corporation and to see that a copy of

said Bylaws, similarly certified, is kept at the principal office for the transaction of business of this corporation in accordance with Section 7160 of the California Corporations Code;

RESOLVED, FURTHER, that the incorporator hereby resigns effective immediately and the following persons are duly appointed and elected the first directors of the corporation; said election to be effective immediately for the term prescribed by the Bylaws of the corporation:

Wayne Winters

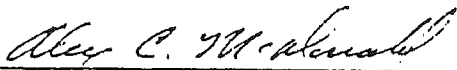
Kenneth Bouchard

Karen Rockwell

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

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

Dated: June 2, 1980.



Alex C. McDonald, Incorporator

MINUTES OF FIRST MEETING OF BOARD OF DIRECTORS
OF
HERSCHEL CONDOMINIUMS ASSOCIATION,
a California nonprofit mutual benefit corporation

June 3, 1980

The directors of HERSCHEL CONDOMINIUMS ASSOCIATION, a California nonprofit mutual benefit corporation, being all of the members of the Board of Directors as presently constituted, held their first meeting at 2254 Moore Street, Suite 102B, San Diego, California on June 3, 1980 at 10:00 a.m.

There were present at said meeting Wayne Winters, Kenneth P. Bouchard and Karen Rockwell, being all of the directors and constituting a quorum.

On motion and by unanimous vote, Kenneth P. Bouchard was elected Temporary Chairman of the meeting and Wayne Winters was elected Temporary Secretary thereof.

The Chairman announced that the meeting was held pursuant to written waiver of notice thereof and consent thereto, signed by all of the directors of the corporation elected as such by Written Consent of Incorporator of HERSCHEL CONDOMINIUMS ASSOCIATION, dated June 2, 1980. Such waiver and consent was presented at the meeting, and upon motion duly made, seconded and unanimously carried, it was made a part of the records of the meeting, and the Secretary was instructed to place it preceding the minutes of this meeting in the minute book of the corporation.

The Chairman stated that the original Articles of Incorporation of the corporation had been filed in the Office of the California Secretary of State on May 14, 1980, and that a copy thereof, certified by said Secretary of State, had been placed in the minute book of the corporation, and directed the Secretary to see that a copy thereof, similarly certified, be kept at the principal office for the transaction of business of the corporation in accordance with Section 7160 of the California Corporations Code.

The Chairman further stated that the Bylaws for the regulation of the corporation had been adopted by Written Consent of Incorporator of the corporation dated June 2, 1980 and that the Secretary of the corporation was instructed to certify as to the adoption of said Bylaws and to insert the Bylaws as so certified in the minute book of the corporation and to see that a copy thereof, similarly certified, was kept at the principal office for the transaction of business of the corporation.

The meeting then proceeded to the election of officers. The following persons were duly elected to the offices indicated after the names of each:

Kenneth P. Bouchard
Karen Rockwell

President
Vice President and
Chief Financial Officer
Secretary

Wayne Winters

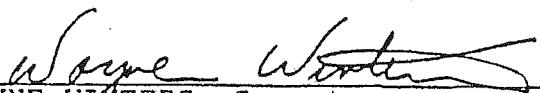
A proposed seal of the corporation consisting of two concentric circles with the words "HERSCHEL CONDOMINIUMS ASSOCIATION, Incorporated California May 14, 1980," was presented for the approval of the directors. On motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED, that the corporate seal in the form, words and figures presented at this meeting be and the same hereby is adopted as the seal of this corporation, and the Secretary of this corporation be and is hereby authorized and directed to certify to an imprint of said seal and to place said certification in the minute book of the corporation.

The matter of a fiscal year for the corporation was next considered, and after discussion, on motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED, that the fiscal year of this corporation shall end on the 31st day of December of each year, the first fiscal year to end on December 31, 1980.

There being no further business to come before the meeting, the meeting adjourned.


WAYNE WINTERS, Secretary