

BYLAWS
OF
VILLA ITALIA OWNERS ASSOCIATION

ARTICLE I

OFFICE

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

ARTICLE II.

Definitions

Section 1. "Association" shall mean and refer to VILLA ITALIA OWNERS ASSOCIATION, a California non-profit mutual benefit corporation, its successors and assigns.

Section 2. "Condominium Property" shall mean and refer to that certain real property located in the City of San Diego, County of San Diego, California, described as such in the Declaration recorded in the Office of the County Recorder of San Diego, California, owners of Condominiums in which are required to be members of the Association, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

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

Section 4. "Declaration" shall mean and refer to the Declaration or Declarations 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 or Condominium Plans recorded pursuant to California Civil Code Section 1351 covering all or any part of 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 that California Civil Code Section 783 and shall consist of a fee simple 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, if any, which the Owner has the exclusive right to use.

Section 10. "Declarant" shall mean and refer to R.L. CALIFORNIA SOUTH, INC. along with its 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 Association.

Section 14. "Mortgagor" shall mean and refer to the trustor of the Deed of Trust as well as the mortgagor.

Section 15. "Governing Documents" shall mean and refer collectively to these Bylaws, and the Declaration, and the Articles of Incorporation of the Association.

Section 16. "Eligible Mortgage Holder" shall mean and refer to the holder of the first mortgage on a Condominium who has requested notice of certain matters by submitting a written request to the Association wherein he indicates the name and address of the holder and the Living Unit number or address of the subject Condominium.

Section 17. "Eligible Insurer or Guarantor" shall mean and refer to an insurer or governmental guarantor of a first mortgage on a Condominium who has requested notice of certain matters by submitting a written request to the Association wherein he indicates the name and address of the insurer or guarantor and the Living Unit number or address of the subject Condominium.

ARTICLE III

Members

This Association shall have two (2) classes of voting membership as set forth in the Articles of Incorporation of the Association.

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 Areas, paying the necessary

expenditures of the Association as provided in these Bylaws and the Declaration, and establishing an operating reserve fund and reserve for replacement as set forth in the Declaration.

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 including the cost of major repair or rebuilding of the Common Area, 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 and Bylaws of the Association and the rules and regulations adopted by the Board or for such other purposes as may be determined by the Board, all as set forth in the Declaration.

Section 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 (except those levied pursuant to Article II, Section 4 of the Declaration) 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 foreclosed by sale pursuant to Sections 2932, 2924(a), 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, and any redemption thereafter shall be subject to the lien hereby created as to other or future events of default; provided, however, that the lien created shall, at all times, be subordinate and inferior to the lien of the first Mortgage placed on the Condominium Property or any part thereof.

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 twenty percent (20%) 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 Living Unit.

Section 4. PAYMENT OF ASSESSMENTS BY DECLARANT. The Declarant 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.

Section 5. COMMENCEMENT OF REGULAR ASSESSMENTS. The regular assessments shall commence as to all Condominiums on 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

Section 1. 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 Association, his immediate family, guests and tenants shall have the right to use and enjoy the Common Area. The membership rights and privileges, together with the voting rights of any Member, may be suspended by the Board for any period of time during which the assessment on his Condominium remains unpaid, and for a period not to exceed thirty (30) for any infraction of the Association's published rules and regulations. 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 the suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last address of the Member shown on the Association's records. No such suspension shall affect the rights of any such member to access to his Living Unit nor his right to use of any Exclusive Use Area appurtenant to his Living Unit.

Section 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. Said penalty cannot become a lien enforceable by a sale of the Condominium pursuant to Sections 2924, 2924(b), and 2924(c) of the California Civil Code. No such possible 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 to the last address of the member shown on the Association's records.

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 the County of San Diego, 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 days after the close of escrow for the sale by Declarant of fifty-one percent (51%) of the Condominiums authorized for sale under the final public report, 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.

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, or 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. Such notice shall specify the place, date, and time of such meeting and those matters which the Board at the time of mailing the notice intends to present for action by the members.

Section 3. SPECIAL MEETING. Special meetings of members, for any purpose or purposes whatsoever, shall be promptly scheduled by the Board in response to the vote for such a meeting by a majority of a quorum of the Board, or by the receipt of a written request of five percent (5%) or more 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 meeting shall specify in addition the place, day, and hour of such meeting, the general nature of the business to be transacted.

Section 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.

When any membership meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of adjournment or of the business to be transacted at an adjourned meeting other than by an announcement at the meeting at which such adjournment is taken.

Section 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.

Section 6. VOTING. Voting of the members may be 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 cumulate 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 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 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 less than twenty percent (20%) of the directors may be elected solely by the voting power of members other than Declarant. 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.

Except as otherwise provided in Article XIII, Section 7 of the Declaration, any provision calling for membership approval of action to be taken by the Association shall require the assent of the prescribed percentage of each class of members of the Association existing at the time of such action. If the proposed action is favored by a majority of the votes cast at a membership meeting, but such vote is less than the requisite prescribed percentage of each class of members, the written approval of members (resulting in the prescribed percentage) who were not present in person or by proxy must give their assent in writing prior to such action being approved.

Section 7. QUORUM. The presence in person or by proxy of a majority 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 the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the voting power of the membership of the Association, 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; provided further, that in the event the quorum requirement becomes twenty-five percent (25%) of the voting power of the membership, then the only matters that may be voted upon at any meeting actually attended in person or by proxy by one-third (1/3) or less of the voting power are matters, notice of the general nature of which was given in the notice of meeting.

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 may be taken at a meeting of the members, except the election of directors where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the California Corporations Code. 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 within three (3) days after all written consents have been obtained in the manner provided in Article VII, Section 7 for the giving of notice of regular meetings of the Board.

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 Association. All proxies shall be revocable and shall automatically terminate upon transfer of title of a Condominium by the Owner.

ARTICLE VII

Directors

Section 1. POWERS AND DUTIES. The powers and duties of the Board shall normally include, but shall not be limited to the following, in addition to those powers and duties delineated in the Declaration:

- 1) Enforcement of applicable provisions of the Declaration, Articles and Bylaws and other instruments for the ownership, management and control of the Condominium Property.
- 2) Payment of taxes and assessments which are, or could become, a lien on the Common Area or a portion thereof.
- 3) Contracting for casualty, liability, and other insurance on behalf of the Association.
- 4) Contracting for goods and/or services for the common areas, facilities and interests or for the Association subject to the limitations set forth below.
- 5) Delegation of its powers to committees, officers or employees of the Association as expressly authorized by the governing instruments.
- 6) Preparation of budgets and financial statements for the Association as prescribed in the governing instruments.
- 7) Formulation of rules of operation of the common areas and facilities owned or controlled by the Association.
- 8) Initiation and execution of disciplinary proceedings against members of

the Association for violations of provisions of the governing instruments in accordance with procedures set forth in the governing instruments.

9) Entry, by the Association's agents or employees, into any Living Unit or any portion of the Common Area as necessary in connection with the construction, maintenance or emergency repair for the benefit of the Common Area or the owners in common in accordance with Article II, Section 5 of the Declaration.

10) Election of officers of the board.

11) Filling of vacancies on the board except for a vacancy created by the removal of a Board member.

The Board shall ordinarily be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association and a majority of the votes of members residing in members other than Declarant.

1) 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 and the 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 will not exceed the shortest term for which the supplier will contract at the regulated rate.

(c) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits for short rate cancellation by the insured.

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

2) Incurring any expenditures for capital improvements to the Common Area.

3) Selling property of the Association.

4) Paying compensation to members of the governing body or to officers of the Association for services performed in the conduct of the Association's business, provided, however, that the governing body may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

5) Filling of a vacancy on the Board created by the removal of a Board member.

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 Association.

Section 3. ELECTION AND TERM OF OFFICE. At the first annual meeting of members, all 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 director so elected shall be two (2) years. If any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of members held for that purpose. All directors shall hold office until their successors are elected. The 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 may be deemed to exist in case of death or resignation 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 the amendment of the Bylaws is voted authorizing an increase in the number of Directors.

If any Director tends 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.

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 monthly at such time as the Board shall determine. Notice of all regular meetings shall be posted in a prominent place in the Common Area and communicated to the directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice of a written consent to the holding of the meeting.

Section 8. SPECIAL MEETINGS. Special meetings of the Board for any purpose or purposes shall be called at any time by the President, or, if he is absent

or unable or refuses to act, by any vice-president, or by any (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.

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 be conclusive and incontrovertible evidence 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 or 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 consent to holding such a 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 Association shall receive any monetary compensation for their services performed in the conduct of the 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 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 Declarant. Nothing herein contained shall be construed or preclude any Director or officer from serving the Association in any other capacity as agent, employee, or otherwise and receiving compensation therefor. Directors and Officers of the Association

may be reimbursed for expenses incurred in carrying out the business of the Association.

Section 15. ATTENDANCE AT MEETINGS AND EXECUTIVE SESSIONS. 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 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 personal matters, litigation in which the Association is or may become involved and other matters of business of a similar nature. Only members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE VIII

Officers

Section 1. OFFICERS. The Officers of the Association shall be a president, a vice president, a secretary, and a treasurer. The Association may also have, at the descretion 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 Association, 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 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 may 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 an 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 Association. Any such resignation shall take effect at the date of the receipt of such notice or at any later time 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 or 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 Association and shall, subject to the control of the Board, have general supervision, direction, and control of the business and officers of the Association. 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 the president of a corporation, and shall have such other powers and duties as may be prescribed by the Board 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.

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 Association, 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 sign all checks and promissory notes of the Association and 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. He shall disburse funds of the Association as may be ordered by the Board, shall render to the President and the directors, whenever they request it, an account of all 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 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 Association, shall be signed or endorsed by the president and treasurer of the Association.

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 of and on behalf of the Association, 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 Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Any agreement for professional management of any portion of the Condominium Property, or any other contract providing for services 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 term of not more than three (3) years, renewable with the consent of the Association and the management agent. No contract with the Association negotiated by Declarant shall exceed a term of one (1) year.

Section 3. INSPECTION OF BOOKS AND RECORDS. The Association 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 Association, or 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 of 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 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 Association shall begin the first day of the January and end on the thirty-first (31) day of December of each year, except that the first fiscal year shall begin on the date of incorporation of the Association. However, the fiscal year of the Association is subject to change from time to time as the Board shall determine.

Section 5. FINANCIAL STATEMENTS and BUDGETS.

(a) The following financial information shall be regularly prepared and distributed by the Board to all members:

(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 or 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 Area and facilities for which the Association is responsible.

(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 Living Unit - 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 Living Unit and the name of the entity assessed.

(3) A report consisting of the following shall be distributed within 120 days after the close of the fiscal year.

(A) A balance sheet as of the end of the fiscal year.

(B) An operating (income) statement for the fiscal year.

(C) A statement of changes in financial position for the fiscal year.

(D) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(b) If the report referred to in (a)(3) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

(c) In addition to financial statements, the Board 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 interests.

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 fifty-one percent (51%) or more of the voting power of each class of members of the Association existing at that time and a majority of the votes of members other than Declarant or by the written assent of such members; provided, however, that the approval of Eligible Mortgage Holders holding mortgages on condominiums which have at least fifty-one percent (51%) of the votes of condominiums subject to Eligible Holder Mortgages shall be required to add or amend any material provisions of the Bylaws which establish, provide for, govern or regulate any of the following:

(a) voting;

(b) assessments, assessment liens or subordination of such liens;

(c) reserves for maintenance, repair and replacement of the Common Area (or Living Units if applicable);

- (d) insurance or Fidelity Bonds;
- (e) rights to use of the Common Area;
- (f) responsibility for maintenance and repair of the several portions of the project;
- (g) expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project;
- (h) boundaries of any Living Unit;
- (i) the interest in the general Common Area or Exclusive Use Areas;
- (j) convertibility of Living Units into common areas or of common areas into Living Units;
- (k) leasing of condominiums;
- (l) imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his or her condominium;
- (m) any provisions which are for the express benefit of mortgage holders, Eligible Mortgage Holders or Eligible Insurers or Guarantors of first mortgages on condominiums;

(k) Any provisions which, by its terms, is specifically for the benefit of the first Mortgagees, or specifically confers rights on first Mortgagees.

So long as there is a Class B membership in the Association, any amendment to these Bylaws shall require the prior approval of the Veterans Administration. A draft of any amendment should be submitted to the Veterans Administration for its approval prior to its approval by the membership of the Association.

Notwithstanding the above, the percentage of members to vote in each class necessary to amend a specific clause or provision in the Articles or Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

I, the undersigned, do hereby certify:

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

2. That the foregoing Bylaws, comprising () pages constitute the Bylaws of said corporation duly adopted at the meeting of the Board of Directors thereof duly held on

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this day of , 1984.