

**BYLAWS
OF
BLACKHORSE HOMEOWNERS ASSOCIATION**

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BYLAWS
OF
BLACKHORSE HOMEOWNERS ASSOCIATION

ARTICLE I

OFFICE

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

ARTICLE II

DEFINITIONS

All terms which are defined in the Declaration shall have the same meaning, for purposes of these Bylaws, as is so defined in the Declaration. "Declaration" shall mean and refer to the Declaration of Restrictions recorded with the Office of the County Recorder of San Diego County, California, on April 25, 1988 as File/Page No. 88-189911, including such amendments thereto as may from time to time be recorded, which requires Owners of Condominiums to be members of this Association.

ARTICLE III

VOTING RIGHTS IN ASSOCIATION

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

ARTICLE IV

MEMBERSHIP ASSESSMENTS AND LIEN RIGHTS

The Board shall fix and determine from time to time the assessments to be paid by each Owner pursuant to the Declaration.

ARTICLE V

MEMBERSHIP RIGHTS, PRIVILEGES AND PENALTIES

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 or 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; provided, however, if a Condominium has been leased, the tenant and not the Member shall have those rights to use and enjoy the Common Area which is appurtenant to the Condominium. The membership rights and privileges, together with the voting rights of any Member of the Association, may be suspended by the Board for any period of time during which the assessment on his Condominium remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations, after reasonable written notice and an opportunity for a hearing before the Board. The Board may adopt rules and regulations imposing reasonable monetary penalties for such breach or noncompliance. Should the Board believe grounds may exist for any such suspension or imposition of monetary penalties, the Board shall give to the Member believed to be in violation at least fifteen (15) days' prior written notice of the intended suspension or proposed monetary penalty and the reasons therefor. The Member shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first class or registered mail sent to the last address of the Member shown on the Association's records. No suspension shall affect the rights of such Member to access to his Living Unit nor his right to use of any Exclusive Use Common Area appurtenant to his Living Unit.

ARTICLE VI

MEETINGS OF MEMBERS

Section 6.1. 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 6.2. Annual Meetings of Members. The first annual meeting of Members shall be held within forty-five (45) days

after close of escrow for the sale by Declarant of fifty-one percent (51%) of the Condominiums in the first Phase of the Project, but in no event shall the meeting be held later than six (6) months after the close of sale of the first Condominium. 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, first class, registered or certified, or by telegraph, charges prepaid, to his address appearing on the books of the Association or supplied by him to the Association for the purpose of notice. If no address is supplied, notice shall be deemed to have been given him if mailed to the address of the Condominium owned by such Member or encumbered by the first Mortgagee, or published at least once in some newspaper of general circulation in the county of said principal office. All such notices shall be sent not less than ten (10) days and not more than ninety (90) days before each annual meeting, and shall specify the place, day and hour of such meeting, and those matters which the Board at the time of mailing the notice intends to present for action by the Members.

Section 6.3. Special Meeting. Special meetings of Members, for any purpose or purposes whatsoever, may be called at any time by the president or by a majority of a quorum of the Board, and shall be called by the Board upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) or more of the total voting power of the Members. 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 to the place, day and hour of such meeting, the general nature of the business be transacted.

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

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

Section 6.6. Voting. Voting of the Members may be viva voce or by ballot. All elections for directors shall be by secret written ballot. 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 to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. Unless the entire Board is removed from office by the vote of the Members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal or not consenting in writing to his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Any director elected to office solely by the votes of Members other than Declarant, 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 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. No votes shall be attributed to the Condominiums in a particular Phase until the annual assessments have commenced for the Condominiums in such Phase.

Section 6.7. Quorum. Except as stated in the Article of the Declaration entitled "COVENANT FOR MAINTENANCE ASSESSMENTS TO

ASSOCIATION", 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 of the original meeting date, 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 6.8. 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 6.9. 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.

Section 6.10. 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. Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that,

where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

ARTICLE VII

DIRECTORS

Section 7.1. Powers and Duties. The directors shall have the powers and duties set forth in the Declaration.

Section 7.2. Number and Qualifications of Directors. The Board shall consist of five (5) directors until changed by amendment to this Section of the Bylaws. Directors need not be Members of the Association.

Section 7.3. 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 and two (2) directors shall be elected for a term of two (2) years. Thereafter, directors shall be elected at each annual meeting of Members to fill the vacancies of those directors whose term then expires and the term of each such director so elected shall be two (2) years. If any annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of Members held for that purpose. All directors shall hold office until their successors are elected.

Section 7.4. Vacancies. Vacancies in the Board created by death or resignation may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of Members or at a special meeting called for that purpose.

Vacancies created by the removal of any director may be filled only by the vote of the membership.

The Members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the Bylaws is voted, authorizing an increase in the number of directors.

If any director tenders his resignation to the Board, the Board shall have the power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 7.5. Place of Meeting. All meetings of the Board shall be held within the Condominium Property.

Section 7.6. 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 7.7. 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 or a written consent to the holding of the meeting.

Section 7.8. 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 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 7.9. 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 the Class B membership to Class A membership, except upon the vote or written assent of (i) fifty-one percent (51%) of the total voting power of Members of the Association, and (ii) at least fifty-one percent (51%) of the total voting power of Members of the Association other than Declarant. Nothing herein contained shall be construed or preclude any director or officer from serving the Association in any other capacity as an agent, employee or otherwise and receiving compensation therefor. Directors and officers of the Association may be reimbursed for expenses incurred in carrying on the business of the Association; provided, however, that no such expenses in excess of \$50.00 during any fiscal year of the Association shall be reimbursed by the Association to any person without the approval of the Board.

Section 7.10. 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 personnel matters, litigation in which the Association is or may become involved and other matters of business of a similar nature. Only Members of the Board shall be entitled to attend executive sessions. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 7.11. 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 7.12. Adjournment. A quorum of the directors may adjourn any directors' meeting to meet again at a stated time and hour; provided, however, that in the absence of a quorum, a majority of directors present at the directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 7.13. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting to be held after regular call and notice if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Nothing contained herein shall remove the obligation to post the notice of all directors' meetings on the Common Area.

Section 7.14. Entry of Notice. Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall constitute a rebuttable presumption that due notice of such special meeting was given to such director as required by law and these Bylaws.

Section 7.15. Notice of Adjournment. Notice of any adjournment of any directors' meeting, either regular or special, to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 7.16. Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action to be taken or actually taken by the Board shall be given to the Members of the Association within three (3) days after all written consents have been obtained. Said explanation shall be given in the same manner as provided in Section 7.7 above for the giving of notice of regular meetings of the Board. Failure to give such notice shall not render the action to be taken or actually taken invalid.

ARTICLE VIII

OFFICERS

Section 8.1. Officers. The officers of the Association shall be a president, a vice president, a secretary and a chief financial officer. The Association may also have, at the discretion of the Board, one (1) or more assistant secretaries, one (1) or more assistant chief financial officers and such other officers as may be appointed in accordance with the provisions of Section 8.3 below. Officers other than the president need not be directors. One (1) person may hold two (2) or more offices.

Section 8.2. Election. The officers of the Association except such officers as may be appointed in accordance with the provisions of Section 8.3 or Section 8.5 below, 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 8.3. 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 from time to time determine.

Section 8.4. Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors in office at the time, 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 Association. Any such resignation shall take effect at the date

of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

Section 8.6. 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 president of a corporation, and shall have such other powers and duties as may be prescribed by the Board or by 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 8.7. 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 8.8. 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 8.9. Chief Financial Officer. The chief financial officer 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 chief financial officer shall sign all checks and promissory notes of the Association and shall deposit all moneys 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 the funds of the Association 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 chief financial officer 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.

Section 8.10. Withdrawal of Reserve Funds. Withdrawal of funds from the Association's reserve account shall require the signatures of either: (a) two (2) members of the Board, or (b) one (1) member of the Board and an officer of the Association who is not also a member of the Board.

ARTICLE IX

POWERS AND DUTIES OF ASSOCIATION

Subject to the California Nonprofit Corporation Law applicable to mutual benefit corporations, the Board shall have the powers and duties set forth in the Declaration and these Bylaws.

ARTICLE X

AUTHORIZATION TO CONTRACT

The Board shall have the right to authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Association. Such authority may be general or confined to specific instances, and unless so authorized by the Board, no officer, agent or 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 for any amount.

ARTICLE XI

DUTY TO MAKE RECORDS AVAILABLE FOR INSPECTION

The Association shall keep in its principal office for the transaction of business or at such place within the Condominium Property as the Board shall prescribe, the original or a copy of the Bylaws as amended or otherwise altered to date, certified by the secretary, a membership register (including mailing addresses and telephone numbers), books of accounts and copies of minutes of all membership, board and committee meetings, all of which

shall be made available for inspection and copying by any Member of the Association, or by any Member's duly appointed representative and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to his interest as a Member or Mortgagee. The Board shall establish reasonable rules with respect to:

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

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

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

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

ARTICLE XII

FINANCIAL STATEMENTS

The following financial and related information shall be regularly prepared and distributed by the Board to all Members of the Association:

Section 12.1. A Budget. A budget for each fiscal year consisting of at least the following information shall be distributed not less than forty-five (45) days nor more than sixty (60) 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 the Common Area and for contingencies.

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

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

the Common Area for which the Association is responsible.

Section 12.2. A Balance Sheet. A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Condominium, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the Condominium and the name of the entity assessed.

Section 12.3. A Report. A report, consisting of the following, shall be distributed within one hundred twenty (120) days after the close of each 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;

For any fiscal year in which the gross income to the Association exceeds \$75,000.00, 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. If the report referred to in this Section 12.3 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.

Section 12.4. Statement of Policies. In addition to financial statements, the Board shall annually distribute within sixty (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 XIII

OPERATING AND RESERVE ACCOUNTS

The Board shall do all of the following:

(a) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis;

(b) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis;

(c) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;

(d) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and

(e) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

As used in this Section, "reserve accounts" means monies that the Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

ARTICLE XIV

FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the thirty-first (31st) 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.

ARTICLE XV

CHECKS

Checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, in the name of or payable to the Association, shall be signed or endorsed by the chief financial officer of the Association and one other person who is a member of the Board.

ARTICLE XVI

AUDITED FINANCIAL STATEMENT

If the Project contains fifty (50) or more Condominiums, any holder, insurer or governmental guarantor of a first Mortgage

shall be entitled, upon written request, to an audited financial statement for the immediately preceding fiscal year, free of charge to the party so requesting it. If the Project contains less than fifty (50) Condominiums, the holders of fifty-one (51%) or more of the first Mortgagees shall be entitled to have such audited financial statement prepared at their expense if one is not otherwise available. The financial statements required hereby shall be furnished within a reasonable time following request.

ARTICLE XVII

AMENDMENT

During the period of time prior to conversion of the Class B membership in the Association to Class A membership, new Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the Members entitled to exercise a majority or more of the voting power of each class of Members of the Association or by the written assent of such Members. After conversion of the Class B membership to Class A membership, these Bylaws may be amended or repealed by the vote of (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant. Anything herein stated to the contrary notwithstanding, no material amendment to the Bylaws shall be made without the prior written approval of Eligible Mortgage Holders whose Mortgages encumber fifty-one percent (51%) or more of the Condominiums. "Material amendment" shall mean, for purposes of this Article XVII, any amendments to provisions of these Bylaws governing any of the following subjects:

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

(b) Assessments, assessment liens and subordination thereof.

(c) The reserve for maintenance, repair and replacement of the Common Area.

(d) Property maintenance and repair obligations.

(e) Casualty, liability insurance and fidelity bonds.

(f) Reconstruction in the event of damage or destruction.

(g) Rights to use the Common Area.

(h) Annexation.

- (i) Voting.
- (j) The percentage interest of the Owners in the Common Area.
- (k) Boundaries of any Living Unit or Garage.
- (l) The interests in Exclusive Use Common Areas and other portions of the Common Area.
- (m) Leasing of Condominiums.
- (n) Imposition of any right of first refusal or similar restriction on the right of a Condominium Owner to sell, transfer or otherwise convey his Condominium.
- (o) Any provision which, by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

An Eligible Mortgage Holder who receives a written request to approve amendments (including additions) who does not deliver or mail to the requesting party a negative response within thirty (30) days, shall be deemed to have approved such request.

ARTICLE XVIII

ANNEXATION

The Association shall admit as Members, Owners of Condominiums in any Phase of the Project which has been annexed pursuant to the Declaration.

ARTICLE XIX

DISTRIBUTION OF ASSETS UPON DISSOLUTION

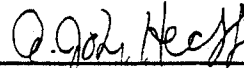
After complying with the provisions of Section 8713 of the California Corporations Code and except as otherwise provided in Sections 8715 and 8716 of the California Corporations Code and the Article in the Declaration entitled "DAMAGE, DESTRUCTION AND CONDEMNATION OF COMMON AREA", any assets held by the Association on dissolution shall be distributed among the Members proportional to the number of Condominiums owned by such Member.

I, the undersigned, do hereby certify:

1. That I am the incorporator of BLACKHORSE HOME-OWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation; and

2. That the following is a true and correct imprint of the corporate seal of said corporation, duly adopted by Written Consent of Incorporator dated February 8, 1988.

IN WITNESS WHEREOF, I hereunto subscribe my name and affix the seal of said corporation this 8th day of February, 1988.



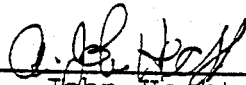
A. John Hecht, Incorporator

I, the undersigned, do hereby certify:

1. That I am the incorporator of BLACKHORSE HOME-OWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation; and

2. That the foregoing Bylaws, comprising sixteen (16) pages, constitute the Bylaws of said corporation duly adopted by Written Consent of Incorporator dated February 8, 1988.

IN WITNESS WHEREOF, I hereunto subscribe my name and affix the seal of said corporation this 8th day of February, 1988.



A. John Hecht, Incorporator



BLACKHORSE HOMEOWNERS ASSOCIATION

6256 Greenwich Drive, Suite 520, San Diego, CA 92122
619/457-0200 FAX 619/535-3838

BYLAW AMENDMENTS

ADOPTED APRIL 15, 1991

Section 7.4. Vacancies. A vacancy or vacancies on the board shall exist on the occurrence of any of the following: 1) the death of any director; 2) the effective date of any director's resignation; 3) the removal of any or all directors with or without cause by a vote of the members; 4) a declaration by resolution of the board of a vacancy in the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or has failed to attend either three consecutive regular meetings of the board or four regular meetings of the board in any consecutive 24 months; 5) an increase in the authorized number of directors; or 6) the failure of the members, at any meeting of the members at which any director or directors are to be elected, to elect the number of directors required to be elected at that meeting.

Any vacancy on the board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director, except that vacancies created by removal of directors by vote of the members shall be filled only by the members. In addition, the members may fill any vacancy not filled by the directors. Any director elected to fill a vacancy shall hold office until the expiration of the term of his or her predecessor and until a successor has been elected and qualified.

Section 7.5. Place of Meetings. All meetings of the board shall be held at the condominium property or at such other locations in San Diego County, California, in reasonable proximity to the Condominium Property, as may be designated in the notice of meeting.