

BYLAWS
OF
PACIFIC PALMS
OWNERS' ASSOCIATION, INC.

ARTICLE I
DEFINITIONS

1. Declaration.

1.1 "Declaration" shall mean that certain Declaration of Restrictions recorded December 11, 1980, File/Page No. 80-417171, Official Records of San Diego County, California, as recorded, and any amendments thereto, as recorded.

2. Declarants.

2.1 "Declarants" shall mean ROBERT CHARLES PAPPENPORT, RANDALL KINNINGS, and THERESA ANN KINNINGS, their successors and assigns, which constitute the Declarants under the Declaration.

3. Plan.

3.1 "Plan" shall mean that certain Condominium Plan recorded December 11, 1980, File/Page No. 80-417170, Official Records of San Diego County, California, being a Condominium Plan as the same is described in California Civil Code Section 1351, and any amendments to said Condominium Plan.

4. Project.

4.1 "Project" shall mean the land encompassed by the Plan, including all structures situated thereon.

5. Condominium.

5.1 "Condominium" shall mean an estate in the Project as defined in California Civil Code Section 783.

6. Unit.

6.1 "Unit" shall mean the elements of a Condominium which are not owned in common with the owners of other Condominiums; each Unit, and the boundaries thereof, are described in the Plan.

7. Common Area.

7.1 "Common Area" shall mean Common Area as the same is defined in the Plan.

8. Association.

8.1 "Association" shall mean the Pacific Palms Owners' Association, Inc., a California nonprofit corporation, composed of the Owners described below.

9. Articles.

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

10. Bylaws.

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

11. Owner.

11.1 "Owner" shall mean the person(s) who hold(s) record title to any Condominium, and shall include Declarants as long as Declarants hold title to a Condominium.

12. Member.

12.1 "Member" shall mean an Owner(s) entitled to membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of a Condominium.

ARTICLE 2

FUNCTIONS OF THE ASSOCIATION

1. Purpose.

1.1 The Association shall act as a "management body" for the management, preservation, maintenance, architectural control and improvement of the Common Area. The Association is subject to the limitations, covenants, conditions, restrictions, terms and provisions of the Declaration.

2. Assessments.

2.1 Pursuant to the provisions of the Article entitled "Assessments" of the Declaration, it shall be the duty of the Board of Directors to fix, alter, collect and enforce assessments upon Owners. Each Owner shall be liable to pay to the Association the assessment levied upon such Owner's Condominium(s) under the provisions of the Declaration.

ARTICLE 3

MEMBERSHIP

1. Members.

1.1 The Association shall have one class of Members only, and the property and other rights, interests and privileges of each Member in good standing shall be

equal. No Owner shall hold more than one membership in the Association. No certificate of membership, stock certificate or other document evidencing membership in the Association shall be issued.

2. Transfer of Membership.

2.1 Each Owner shall be and become a Member of the Association contemporaneously with his acquisition of a Condominium (whether such acquisition occurs by (i) conveyance of a Condominium by Declarants, (ii) voluntary transfer, assignment or conveyance of a Condominium or (iii) foreclosure [by trustee's power of sale or by judicial process] of a deed of trust or other lien on, or other involuntary transfer of, a Condominium), without necessity of documentation or other action, of any kind, by any person. The Association may require that any person acquiring a Condominium shall notify the Association in writing of such acquisition so as to facilitate accurate record keeping of the membership. When two or more persons hold, as joint tenants or otherwise, a Condominium, they shall constitute a single Member. Prior to the conveying of the Condominium by Declarants, Declarants shall be, as to such Condominium, a Member of the Association. Transfer of membership in the Association shall be only by the means specified herein.

ARTICLE 4

MEETINGS OF MEMBERS

1. Place of Meetings.

1.1 All meetings of Members shall be held within the Project or at such other place in San Diego County, California, in reasonable proximity to the Project, as may be designated for that purpose from time to time by the Board of Directors. Unless unusual conditions exist, Members' meetings shall not be held outside of San Diego County, California.

2. Annual Meetings.

2.1 The first annual meeting of Members shall be held on such date and at such time as shall be designated by the Board of Directors, which date shall be within 45 days after the sale and conveyance by Declarants of a majority of the Condominiums in the Project, but in no event later than six months after the sale and conveyance by Declarants of the first Condominium in the Project. Subsequent annual meetings of Members shall be held on the annual anniversaries of the first annual meeting of Members and shall be held at such time on said date as may be designated by the Board of Directors. If the date of the annual meeting shall be a legal holiday, then the meeting shall be held on the next-succeeding business day, at the same hour.

2.2 At the annual meeting, Members shall nominate and elect a Board of Directors, consider reports of the affairs of the Association and transact such other business as may properly be brought before the meeting.

3. Special Meetings.

3.1 Special meetings of Members, for any purpose or purposes whatsoever, may be called by a majority of a quorum of the governing body (Board of

Directors), or by receipt of a written request therefor signed by Members representing at least 5% of the total voting power of the Association.

3.2 Upon request in writing by registered mail to the President, a Vice President, the Secretary or Assistant Secretary, at the principal office of the Association, or delivered to such officer(s) in person by Members entitled to call a meeting of Members, it shall be the duty of such officer(s) forthwith to cause notice to be given, to Members entitled to vote, of a meeting to be held at such time as the Board of Directors may fix not less than 35 nor more than 90 days after the receipt of such request. If such notice shall not be given within 20 days after the date of mailing or date of delivery of such request, Members calling the meeting may fix the date and time of the meeting and give notice thereof in the manner provided by these Bylaws. The date of any meeting fixed by Members as hereinabove provided shall be at such time in the future as will permit adherence to the notice requirement set forth in Paragraph 4.1.

4. Notice of Meetings.

4.1 Written notice of meetings, annual or special, shall be given to Members entitled to vote at such meetings, by the governing body by any means which is appropriate given the physical set-up of the subdivision, not less than ten days nor more than 90 days before such meeting; provided, however, notice of a special meeting to consider a matter which has been designated by the Board of Directors to be an "emergency situation" shall be given not less than 24 hours before such meeting. The notice shall specify the place, the day and the hour of meeting; and, in case of special meetings, the general nature of the business to be transacted. No business other than that specified may be transacted at a special meeting. In the case of a regular meeting, such notice shall state those matters which the Board intends to present for action by the Members.

4.2 Such notices shall be given by the governing body. All notices shall be sent by first-class mail to the Member's address appearing on the books of the Association or supplied by him to the Association for the purpose of receiving notice. If a Member supplies no address, or no address appears on the books of the Association, notice shall be deemed to have been given if mailed to the principal office of the Association.

4.3 When a meeting is adjourned, notice of the adjourned meeting shall be given as in case of an original meeting, except that when a meeting is adjourned for less than 45 days, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereafter other than by announcement at the meeting at which the adjournment is taken. This provision, however, is not applicable to those meetings adjourned for the lack of a quorum which are governed by Article 4, Section 5.2.

5. Quorum.

5.1 A majority of Members entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of Members for the transaction of business.

5.2 If, however, such majority shall not be present or represented at any meeting of Members, Members entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting from time to time until the

requisite number of Members shall be present or represented; provided, however, that any such adjournment by those in attendance shall be to a date not less than five and not more than 30 days from the date of the originally scheduled meeting. At such adjourned meeting at which the requisite number of Members shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

6. Special Procedure - Election of Governing Body.

6.1 Not less than 20% of the incumbents, those holding office during the immediate preceding term, on the governing body shall be elected solely by the votes of owners other than the subdivider from the first election of the governing body and thereafter for so long as a majority of the voting power of the Association resides in the subdivider.

6.2 A governing body member who has been elected to office solely by the votes of members of the Association other than the subdivider may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in members other than the subdivider.

6.3 Cumulative voting is required in any election of governing body members.

6.4 Election of governing body members must take place only at a regular or special meeting, and may not be done by the procedure described in Section 7513 of the Corporate Code.

ARTICLE 5

VOTING

1. Record Date.

1.1 Only persons who are Members of the Association shall be entitled to vote at such meeting.

2. Voting Members.

2.1 Each Member shall be entitled to one vote for each Condominium owned by him.

3. Voting Rights; Required Vote; Cumulative Voting.

3.1 On all matters, including the election of each director to be elected, a Member shall have the number of votes as set forth above for each Condominium owned by said Member.

3.2 When a quorum is present, the affirmative votes of Members holding a majority of the total number of votes at any regular or special meeting of Members

shall be required for Members to transact any business, except as may be otherwise provided in these Bylaws.

3.3 Every Member entitled to vote at any election for directors of the Association may cumulate his votes and give one 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 distribute his votes on the same principal among as many candidates as he may desire. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected directors of the Association.

3.3.1 No member shall be entitled to cumulate votes for a candidate unless such candidate's name or candidates' names have been placed in nomination prior to the voting and the Member has given notice of the meeting prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

3.3.2 Any action which may be taken by the vote of the members at a regular or special meeting except the election of governing members where cumulative voting is required may be taken without a meeting if executed in compliance with provisions of Section 7513 of the Nonprofit Mutual Benefit Corporation Law of the State of California.

3.4 If more than one legal person constitutes a Member, a vote(s) cast in person or by proxy by such persons will not be considered (except for the purpose of establishing a quorum) unless those persons attempting to vote declare to the same effect on the issue being voted upon.

4. Proxies.

4.1 Every Member entitled to vote or to authorize action may do so either in person or by one or more agents authorized by a written proxy executed by the person or his duly authorized agent and filed with the Secretary of the Association. All proxies shall be executed in accordance with the provisions of Section 7613 of the Nonprofit Mutual Benefit Corporation Law of the State of California.

ARTICLE 6

DIRECTORS; MANAGEMENT

1. General Powers.

1.1 Subject to the limitations of the Declaration, of the Articles, of these Bylaws and of the laws of the State of California as to action to be authorized or approved by Members, all Association powers shall be exercised by or under authority of, and the business and affairs of the Association shall be controlled by, the Board of Directors.

2. Specific Powers.

2.1 In addition to the general powers described above, the Board of Directors shall have the following specific powers:

2.1.1 To adopt regulations not inconsistent with the provisions of the Declaration, including, but not limited to, rules and regulations relating to use of and activities permitted in the Common Area.

2.1.2 To maintain bank account(s) for funds coming under the control of the Association.

2.1.3 To levy regular and special assessments and otherwise act as set forth in (and subject to the provisions of) the Declaration and the Articles.

2.1.4 To enforce the provisions of the Declaration, these Bylaws, and any other instruments for the management and control of the Project; however, nothing contained in this Article shall be construed to prohibit enforcement of the Declaration by any Owner.

2.1.5 To contract for and maintain (i) fire, casualty, liability, workmen's compensation, medical, hospital and other insurance insuring Owners and other persons and (ii) bonds of directors and other persons.

2.1.6 To contract, provide and pay for (i) maintenance, utility, gardening and other services benefiting the Common Area, (ii) employment of persons necessary for operation of any building and (iii) legal and accounting services.

2.1.7 To contract for and purchase tools, equipment, materials, supplies and other personal property and services for (i) maintenance and repair of the Common Area and (ii) improvements to the Project.

2.1.8 To contract for and pay for reconstruction of any portion(s) of the Project damaged or destroyed.

2.1.9 To enter at all reasonable times, by it or its agents or independent contractors, any Unit when necessary in connection with maintenance, construction or emergency repair as to which the Association has rights hereunder.

2.1.10 To pay taxes which would be a lien upon the entire Project or the Common Area or any portion thereof, and to pay and discharge any lien or encumbrance levied against the entire Project or the Common Area or any portion.

2.1.11 To sell, at such price and terms as the Board of Directors may determine, the entire Project for the benefit of all of the Owners and mortgagees thereof, as their interests shall appear. Said power to sell shall be exercisable only (i) when partition of the Project may be had under California Civil Code Section 1354, (ii) after the recordation of a certificate by those Owners consenting to the exercise of said power to sell (in accordance with Section 1354 that said power is properly exercisable) and (iii) after obtaining the written consent of at least 75% of the first mortgagees (based upon one vote for each first mortgage owned).

2.1.12 To prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area, or any action in which all of the Owners have an interest in the subject of the action or in which any right to relief in respect to or arising out of the same transaction or series of transactions is alleged to exist.

2.1.13 To suspend for a period not to exceed 30 days the (i) right of an Owner to use the recreational facilities within the Common Area and (ii) voting privileges of an Owner, for default in the payment of any regular or special assessment levied by the Association pursuant to the Declaration for violating any regulations adopted by or established by the Board of Directors to govern the use of and activity in the Common Area or for failing to observe any of the provisions of the Declaration of Restrictions. Such suspension must be done in good faith and must comply with the following procedure: (i) the accused Owner must be given 15 days' prior written notice of a hearing by the Board to consider the suspension and the reasons why a suspension is considered delivered personally to such Owner or mailed by first-class or registered mail sent to the last address of the Owner shown on the Association's records, (ii) such Owner must be given an opportunity to be heard at a hearing before the Board of directors, and (iii) the suspension shall not become effective until at least five (5) days following such hearing.

2.1.14 To elect officers of the Board of Directors.

2.1.15 To fill vacancies on the Board of Directors except for a vacancy created by the removal of a Director.

2.2 No right or power conferred on the Board of Directors in this Article shall be construed as a duty, obligation or disability charged upon the Board of Directors or any director. If any right or power herein granted be exercised, directors so exercising or voting for such exercise shall be held liable only for acts involving gross negligence and intentional misconduct.

2.3 Any contract entered into, or instrument executed, by any two or more directors pursuant to resolution of the Board of Directors shall be (i) valid and subsisting according to the tenor of such contract or instrument, (ii) a charge upon all cash, bank accounts and other personal property under the control of the Board of Directors and (iii) a debt of all Owners in the same proportion as their respective interests in the Common Area. Any transfer, assignment or conveyance to, or contract right in favor of, the Board of Directors shall vest in the Board of Directors, for the benefit of the Owners in the same proportion as their respective interests in the Common Area, the property, right, title, interest, estate or thing so transferred, assigned, conveyed or contracted. So long as he acts within the scope of this authority as a director, no director shall have any personal liability under any such contract or instrument; however, the foregoing shall not be construed to relieve any director, who is also an Owner, from liability as such Owner.

2.4 Anything in this Article to the contrary notwithstanding, the Board of Directors may not, without the vote of the Members, other than the Declarants, entitled to exercise a majority of the voting power, (i) enter into a contract with a third person for materials and/or services benefiting the Common Area or the Association for a term in excess of one year, (ii) sell, during any fiscal year of the Association, property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year, (iii) pay any compensation to any director or officer of the Association for services performed in the conduct of the Association's business; provided, however, that the Board of Directors may reimburse any such director or officer for expenses incurred by him in carrying on the business of the Association, or (iv) fill vacancies on the Board of Directors created by the removal of a Director.

2.5 Anything contained in this Section 2 to the contrary notwithstanding, the Board of Directors shall not have the power to (i) authorize or approve any contract for the professional management of the Project which does not permit the Association to terminate on 90 days' or less written notice and/or has a term greater than three years or (ii) grant to anyone easements or use rights which affect the Common Area.

2.6 The Directors may, from time to time and as permitted by law, delegate any of the powers enumerated herein to the officers, committees and employees of the Association.

2.7 The governing body of the Association cannot incur aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year except with the vote or written assent of a majority of the voting power of the Association residing in members other than the subdivider.

3. Number.

3.1 The authorized number of Directors of the Association shall be three until changed by an amendment to the Articles or by an amendment to this Section 3 of Article 6 of these Bylaws.

4. Election and Tenure of Office.

4.1 The first election of the Board of Directors shall be conducted at the first meeting of the Association. All positions on the Board shall be filled at that election.

4.2 The Directors shall be elected by secret and written ballot at the annual meeting of Members, to serve for one year and until their successors are elected and have qualified or until their earlier resignation or removal. The term of office for directors shall begin immediately after their election.

4.2.1 Nominations for Directors may be made by any Member following receipt of notice of the meeting at which Directors may be elected.

4.2.2 Each nominee shall have the opportunity to communicate to Members his qualifications and the reasons for his candidacy (i) at the meeting at which the vote shall take place, and (ii) by mail prior to the meeting. Upon written request by any nominee and the payment of the reasonable costs of mailing (including postage), the Association shall within ten (10) business days after such request mail to all Members any material which the nominee may furnish and which is reasonably related to the election.

5. Vacancies.

5.1 A vacancy or vacancies shall be deemed to exist in any of the following instances: (i) the death or resignation of any director, (ii) the authorized number of directors shall be increased by amendment to these Bylaws or to the Articles and the Members shall fail to elect the additional director(s), (iii) Members shall fail at any time to elect the full number of authorized directors, (iv) any director shall fail to serve in the office within 30 days after notice of his election, or (v) a Director is removed pursuant to paragraph 6.1.

5.2 Vacancies in the Board of Directors, except for a vacancy created by the removal of a governing body member, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. Each director so elected shall hold office until his successor is elected at an annual, regular or special meeting of shareholders or until his earlier resignation or removal.

5.3 Members may at any time elect a director to fill any vacancy not filled by the directors and may elect the additional directors at such time that an amendment of the Articles or Bylaws is voted authorizing an increase in the number of directors.

5.4 If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board, or if the Board should fail to act, the Members, shall have power to elect a successor to take office when the resignation shall become effective.

5.5 No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

6. Removal of Directors.

6.1 Unless the entire governing body is removed from office by the vote of the majority of Association members, an individual governing body member shall not be removed prior to the expiration of his term of office if the votes cast against 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 the Director were then being elected.

7. Place of Meetings.

7.1 Meetings of the Board of Directors shall be held at the office of the Association located within the Project, or at such other places within the subdivision as the Board may from time to time designate by resolution. Any meeting shall be valid, wherever held, if held by the written consent of all members of the Board of Directors, given either before or after the meeting and filed with the Secretary of the Association. The Secretary shall file all such consents in the minute book of the Association.

8. Organizational Meetings; Notice.

8.1 Annual organizational meetings of the Board of Directors shall be held immediately following the adjournment of the annual meetings of Members or at such other time and on such other date as the Board may designate by resolution. No notice of organizational meetings need be given to directors except that written notice setting forth the date, time and place of said meeting shall be posted at a prominent place (or places) within the Common Area at least 72 hours prior to the scheduled time of said meeting.

9. Other Regular Meetings; Notice.

9.1 Regular meetings of the Board of Directors, other than the annual organizational meeting, shall be held at such time as may be agreed upon from

time to time by the Board and within the subdivision except that said meetings shall be held at least every six months if business to be transacted by the Board does not justify more frequent meetings. If said day shall fall upon a holiday, such meeting shall be held on the next succeeding business day thereafter.

9.2 Notice of the time and place of a regular meeting shall be posted at a prominent place or places within the Common Area and shall be communicated to Directors not less than four (4) days prior to the meeting, provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

9.3 Regular meetings of the Board of Directors shall be open to all Members of the Association, provided, however, that the Association Members who are not Directors may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

10. Special Meetings; Notice.

10.1 Special meetings of the Board of Directors 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 two directors.

10.2 Written notices of the time and place of special meetings, and the general nature of the business to be considered thereat, shall be sent to each director not less than four (4) days prior to the scheduled time of the meeting, provided, however, that notice of the meeting need not be given to any Director who signed a waiver of notice or a written consent to holding of the meeting.

10.3 Written notice of every special meeting of directors shall be posted in the manner prescribed for notice of regular meetings.

11. Written Consent or Waiver of Notice.

11.1 When all the directors are present at any regular meeting, however called or noticed, and sign a written consent thereto on the records of such meeting, or if a majority of the directors are present and if those not present sign a written waiver of notice of such meeting, the transactions thereof are as valid as if having occurred at a meeting regularly called and noticed. All such consents and waivers shall be filed by the Secretary with the minutes of the meeting.

12. Notice of Adjournment.

12.1 Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the adjourned meeting.

13. Quorum; Required Vote.

13.1 A majority of the authorized number of directors as designated by the Articles or Bylaws shall be necessary to constitute a quorum for the transaction of business. The action of a majority of the directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act; provided that a majority of the directors present at any meeting at which a quorum is not present may adjourn from time to time, but may not transact any business.

14. Open Meetings; Executive Sessions.

14.1 All organizational, regular and special meetings of the Board of Directors shall be open to all Members; however, Members who are not on the Board of Directors may not participate in deliberations or discussions at any such meeting unless expressly so authorized by the vote of a majority of the directors present at the meeting at which there is a quorum.

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

ARTICLE 7

OFFICERS

1. Officers.

1.1 The Officers of the Association shall be a President, Vice President, Secretary and Treasurer. The Association may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Any two or more offices, except those of President and Secretary, may be held by the same person.

2. Appointment.

2.1 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, shall be chosen annually by the Board of Directors, and each shall hold office until his successor shall be appointed or until his earlier resignation, removal or disqualification.

3. Subordinate Officers.

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

4. Removal and Resignation.

4.1 Any officer may resign at any time by giving written notice to the Board of Directors, or to the President or to the Secretary of the Association. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5. Vacancies.

5.1 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.

6. Chairman of the Board.

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

7. President.

7.1 Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Association. He shall preside at all meetings of the Members and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He shall be an ex officio member of all standing committees and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

8. Vice President(s).

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

9. Secretary and Assistant Secretary.

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

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

9.3 The Secretary shall give, or cause to be given, notice of all the meetings of the Members and of the Board of Directors required by the Bylaws or by statute

to be given; and he shall keep the seal of the Association in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

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

10. Treasurer and Assistant Treasurer.

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

10.2 The Treasurer 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 of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

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

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

ARTICLE 8

COMMITTEES

1. Architectural Control Committee.

1.1 The Association shall have an Architectural Control Committee for the purpose of advising the Board of Directors on matters of structural and landscaping

architecture and design within the Project. The Architectural Control Committee shall consist of not less than 3 nor more than 5 members.

1.2 The subdivider may appoint all of the original members of the Architectural Control Committee and all replacements until the first anniversary of the issuance of the original public report for the first (or only) phase of the subdivision. The subdivider may reserve to himself the power to appoint a majority of the members of the Committee until 90% of all the subdivision interests in the overall development have been sold or until the fifth anniversary of the original issuance of the final public report for the first (or only) phase of the subdivision, whichever first occurs.

1.3 After one year from the date of issuance of the original public report for the first (or only) phase of the subdivision, the governing body of the Association shall have the power to appoint one member to the Architectural Control Committee until 90% of all of the subdivision interests in the overall development have been sold or until the fifth anniversary date of the original issuance of the final public report for the first (or only) phase of the subdivision, whichever first occurs. Thereafter the governing body of the Association shall have the power to appoint all of the members of the Architectural Control Committee.

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

2. Executive and Other Committees.

2.1 The Board of Directors may appoint an Executive Committee, and such other committees as may be necessary from time to time, consisting of two or more Directors and with such powers as it may designate, consistent with the Articles, these Bylaws and the laws of the State of California. Such committees shall hold office at the pleasure of the Board and need not be reappointed annually.

2.2 Creation of such committees shall be by resolution adopted by a majority of the number of Directors in office, provided that a quorum is present. Appointments to such committees shall be by a majority vote of the Directors.

ARTICLE 9

ASSOCIATION RECORDS AND REPORTS; INSPECTION

1. Records.

1.1 The Association shall maintain adequate and correct accounts, books and records of its business and properties. All such books, records and accounts shall be kept at its principal place of business in the State of California or at such other place as may be designated by the Board of Directors from time to time.

2. Inspection of Books and Records.

2.1 The Member register, the books of account, minutes of proceedings of the

Association, of the Board of Directors, of the Executive Committee and of other committees of the Association shall (upon the written demand of any Member) be open to inspection and copying by such Member or his duly appointed representative at any reasonable time, for a purpose reasonably related to such Member's interests as a Member, at the office of the Association or at such other place within the Project as the Board of Directors shall prescribe. All of the foregoing documents, books and records shall be exhibited at any time when required by the demand at any Members' meeting of 10% of the Members represented at such meeting.

2.2 Each director shall have an absolute right, at any reasonable time, to inspect and copy the aforementioned documents, books and records and to inspect the physical properties owned or controlled by the Association.

2.3 An inspection demand other than at a Members' meeting shall be made in writing upon the President, Secretary or Assistant Secretary of the Association. The Board of Directors shall establish reasonable rules with respect to (i) hours and days of the week when such an inspection may be made and (ii) payment of the cost of reproducing copies of such documents, books and records requested by a Member.

3. Certification and Inspection of Bylaws.

3.1 The original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, shall be open to inspection by Members at the Association's principal office at all reasonable times during office hours.

4. Checks, Drafts, Etc.

4.1 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 such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

5. Contracts, Etc.; How Executed.

5.1 The Board of Directors except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, 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.

6. Annual Budget.

6.1 The Board of Directors shall cause a pro forma operating statement (budget) for each fiscal year to be sent to Members at least 60 days prior to the commencement of such fiscal year. The pro forma operating statement shall include a statement of (i) all contemplated expenses and costs for such fiscal year and (ii) all contemplated receipts from assessments and income for such fiscal year.

7. Annual Report.

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

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

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

8. Initial Financial Report.

8.1 The Board of Directors shall cause an initial financial report to be sent to Members not later than 60 days after the close of an accounting period which shall close on the last day of the month closest in time to six months after the sale and conveyance by Declarants of the first Condominium in the Project.

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

9. Distribution of Financial Statements

9.1 All financial statements for the Association shall be regularly prepared and distributed to all Members regardless of the number of Members or the amount of assets of the Association.

ARTICLE 10

CORPORATE SEAL

The Association's corporate seal shall be circular in form, and shall have

inscribed thereon the name of the Association, the date of its formation and the word "California."

ARTICLE II

AMENDMENTS TO BYLAWS

1. By Members.

1.1 New Bylaws may be adopted or these Bylaws may be repealed or amended at the annual meeting of Members, or at any other meeting of Members called for that purpose, by a vote of Members as follows:

(i) at least a majority of the votes represented and voting at a meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum); and

(ii) at least a majority of the votes of Members other than the subdivider. Notwithstanding the above, the percentage of a quorum or of the voting power of the Association or of members other than the subdivider necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

2. No Amendment by Directors.

2.1 Anything contained herein to the contrary notwithstanding, the Board of Directors shall not have any right or power to adopt, amend or repeal any of these Bylaws.

3. Record of Amendments.

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

CERTIFICATION

The undersigned do hereby certify that:

1. We are all of the Members, as of the date hereinbelow set forth, of Pacific Palms Owners' Association, Inc., a California nonprofit corporation (hereinafter "Association"); and

2. The foregoing Bylaws, comprising 18 pages, constitute the Bylaws of the Association as duly adopted by the Members of the same by unanimous written consent dated _____, 1980.

IN WITNESS WHEREOF, we have hereunto subscribed our names and affixed the seal of the Association this 8TH day of OCT., 1980.