

Bylaws

for

The Crest of Calavera Hills Homeowners Association

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BYLAWS
OF
THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION

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BYLAWS
OF
THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION

ARTICLE I
NAME AND LOCATION

The name of the corporation is THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in the County of San Diego, California.

ARTICLE II
DEFINITIONS

Section 1. "Articles" shall mean and refer to the Articles of Incorporation of the Association as they may from time to time be amended.

Section 2. "Association" shall mean and refer to THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION, a California Nonprofit Mutual Benefit Corporation, its successors and assigns.

Section 3. "Board" shall mean and refer to the Board of Directors of the Association.

Section 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 5. "Declarant" shall mean and refer to TREETOPS UNLIMITED, a joint venture, its successors and assigns.

Section 6. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the County Recorder of San Diego County, California.

Section 7. "FHA" shall mean and refer to the Federal Housing Administration.

Section 8. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 9. "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration.

Section 10. "Mortgage" shall mean and refer to a deed of trust as well as a mortgage encumbering a Lot.

Section 11. "Mortgagee" shall mean and refer to the beneficiary of a deed of trust as well as the mortgagee of a mortgage encumbering a Lot.

Section 12. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 13. "Properties" shall mean and refer to that certain real property described as such in the Declaration of Covenants, Conditions and Restrictions, recorded or to be recorded in the Office of the County Recorder of San Diego County, California, Owners of 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 14. "VA" shall mean and refer to the Veterans Administration.

ARTICLE III

MEETINGS OF MEMBERS AND MEMBERSHIP RIGHTS

Section 1. Annual Meetings. 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 Lots in the first phase of development of the Properties, but not later than six (6) months after the close of escrow for the sale of the first Lot by Declarant. Subsequent annual meetings of the Members shall be held on the same day of the month of each year thereafter at the time determined by the Board. If the day for any annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. Annual meetings of Members shall be held within the Properties or at such other location in San Diego County, California, in reasonable proximity to the Properties, as may be designated in the notice of meeting.

Section 2. Special Meetings. 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, or by the written request of five percent (5%) or more of the voting power of the Members.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid, at least ten (10) but not more than ninety (90) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice, and to the holder of a first Mortgage encumbering any Lot who has requested in writing such notice. Such notice shall specify the place, day and hour of the meeting and those matters which the Board at the time of the mailing of the notice intends to present for action by the Members. The holder of a first Mortgage encumbering any Lot shall be entitled to designate a representative who shall have the right to attend all meetings of Members.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, a majority of the total voting power of Members shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these Bylaws. 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. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented or, unless otherwise provided by law, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be at least twenty-five percent (25%) of the total voting power of Members; 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 5. Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by

such person or his duly authorized agent and filed with the secretary of the Association; provided that no such proxy shall be valid after the expiration of eleven (11) months following the date of its execution. The transfer of title to any Lot shall void any outstanding proxy pertaining to the voting rights of the membership appurtenant to that Lot.

Section 6. Presumption of Notice. A recitation in the minutes of any membership meeting that notice of such meeting had been properly given shall be prima facie evidence that such notice was so given.

Section 7. 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 8. Action Without Meeting. Any action, which under the provisions of the California Corporations Code 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 9. Membership Rights. 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, 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 Lot remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the Association's published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board. Should the Board believe grounds may exist for any such suspension, the Board shall give to the Member believed to be in violation at least fifteen (15) days' prior written notice of the intended suspension and the reasons therefor. The Member shall be given an opportunity to be heard before the Board either orally or in writing not less than five (5) days before the effective date of

suspension. 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. Anything herein stated to the contrary notwithstanding, the Board shall not have the power to suspend any Member's rights of access or utilities to his Lot and no Member may be expelled from the Association. Monetary penalties may be adopted by the Association provided the adoption of such penalties is approved by seventy-five percent (75%) of the Owners, excluding Declarant.

ARTICLE IV

SELECTION AND TERM OF OFFICE OF DIRECTORS

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) directors, who need not be Members of the Association.

Section 2. Term of Office. At the first annual meeting of Members, the Members shall elect three (3) directors for a term of one year and two (2) directors 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 for a term of two (2) years, but if any such 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 3. Removal. The entire Board may be removed from the Board, with or without cause, by a majority vote of the Members. Subject to Section 2 of Article V, unless the entire Board is so removed, an individual director shall not be removed if the number of votes against the resolution for 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 in Section 2 of Article V 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. In the event of death or resignation of a director, his successor may be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor. In the event of removal of a director, his successor shall be

selected by a vote of the Members and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any services he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Such nominations may be made from among the Members or nonmembers. Anything herein to the contrary notwithstanding, the first election of the Board shall receive nominations only from the floor at the first annual meeting. Each nominee shall be given a reasonable opportunity to communicate to the Members the nominee's qualifications and the reasons for the nominee's candidacy. Each nominee shall be given a reasonable opportunity to solicit votes and the Members shall be given a reasonable opportunity to choose among the nominees.

Section 2. Election. Election to the Board shall be by secret written ballot. No Member shall have the right to cumulate his votes unless the candidates' names have been placed in nomination prior to the voting and the Member has given notice to the meeting prior to the voting of the Member's intention to cumulate votes. If one Member is entitled to cumulate votes, all Members shall have the right to cumulate 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 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. Anything contained herein to the contrary notwithstanding, at the first election of directors by Members and thereafter for so long as a majority of the voting power of Members is held by Declarant, or so long as there are

two (2) outstanding classes of membership, not fewer than twenty percent (20%) of the directors shall be elected solely by the votes of Members other than Declarant.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held monthly, at such place and hour within the Properties as may be fixed from time to time by resolution of the Board. Should said meeting day fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of all such regular meetings of the Board shall be posted at a prominent place within the Properties and communicated to the directors not fewer 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 2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Association, or by any two (2) directors other than the president, after the notice is given to each director as stated below.

Written notice of the time and place of special meetings and the nature of any special business to be considered shall be delivered personally to the directors or sent to each director by letter mailed first class, certified or registered mail or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the Association or, if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Association is located at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, it shall be so delivered at least seventy-two (72) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such director. Written notice of all special meetings shall also be posted in a manner prescribed for notice of regular meetings not fewer than seventy-two (72) hours prior to the scheduled time of the meeting. 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 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every

act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Attendance. Regular and special meetings of the Board shall be open to all Members; 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 5. 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 these Bylaws 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 VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board shall have the power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of any recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;

(c) exercise for the Association all powers, duties and authorities vested in or delegated to this Association and

not reserved to the membership by other provisions of these Bylaws, the Articles or the Declaration; provided, however, that the Board shall not have the power to borrow money for the Association, nor to sell property of the Association without the vote or written assent of a majority of the voting power of each class of Members;

(d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 2. Duties. It shall be the duty of the Board to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date and/or to bring an action at law against the Owner personally obligated to pay the same;

(d) furnish, or to cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance;

(e) procure and maintain adequate fire, casualty, liability and hazard insurance as required by the Declaration, and otherwise adequately insure property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area and the exterior of dwelling units located on Lots to be maintained;

(h) pay all charges for water metered or charged to the Common Area;

(i) provide and pay for trash disposal for Lots;

(j) maintain, repair and restore the Common Area and the exterior of dwelling units located on Lots, and to collect and disburse casualty insurance proceeds for reconstruction and repair of the insured Common Area improvements;

(k) landscape, care for, maintain and water all planted areas owned by the Association and all areas for which the Association has maintenance responsibility;

(l) restore or replace any or all of the buildings, structures or improvements on the Common Area at any time and from time to time as the Board may determine desirable or necessary, and to make capital expenditures for and on behalf of the Association; provided, however, that no capital expenditure may be made without the vote or written assent of a majority of the voting power of each class of Members;

(m) enforce the provisions of any Declaration affecting the Properties and to enforce each and every one of the provisions of these Bylaws or any other agreement to which the Association is a party;

(n) contract and pay for goods and services relating to the Common Area and the exterior of dwelling units located on Lots, including legal and accounting services; provided, however, that the term of any service or management contract shall be limited to a duration of one year except a management contract, the terms of which have been approved by the FHA or VA, and shall provide that the Association may terminate such contract for cause upon thirty (30) days written notice thereof; except that a contract with a public utility company for materials or services the rates for which are regulated by the Public Utilities Commission may exceed a term of one year so long as it does not exceed the shortest term for which the public utility will contract at the regulated rate, and a contract for prepaid casualty and/or

liability insurance policies may be for a term of not to exceed three (3) years provided that the policy permits short rate cancellation by the Association; provided, however, that any agreement for professional management or any other contract providing for services by Declarant must provide for termination by either party without cause or payment of a termination fee upon ninety (90) days or fewer written notice;

(o) pay any taxes and special assessments which are or could become a lien on the Common Area;

(p) prepare budgets and financial statements for the Association as provided in the Bylaws;

(q) initiate and execute disciplinary proceedings against Members for violations of the provisions of the Articles and Bylaws, the Declaration and the rules and regulations adopted by the Board; and

(r) delegate any of its powers hereunder to others, including committees, officers and employees.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board, a secretary and a chief financial officer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the

Board, the president or the secretary. Such resignation shall take effect on the date of 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 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and chief financial officer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice President

(b) The vice president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members together with their addresses; and shall perform such other duties as required by the Board.

Chief Financial Officer

(d) The chief financial officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of

the Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy to each of the Members.

Section 9. Compensation. No officer of the Association shall receive compensation for his services performed in the conduct of the business of the Association; provided, however, any officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE IX

COMMITTEES

The Board shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or by his duly appointed representative, and by the holder of any first Mortgage encumbering a Lot. The Declaration, the Articles and the Bylaws shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at a reasonable cost. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of the records by the Member 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 by a Member.

Every director of the Association shall have the absolute right at any reasonable time to inspect the Common Area and 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 XI

ASSESSMENTS

As more fully provided in the Declaration, each Owner of a Lot is obligated to pay to the Association annual and special assessments which are, unless otherwise provided in the Declaration, secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of six percent (6%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same and in addition thereto or in lieu thereof foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION, a California corporation.

ARTICLE XIII

AMENDMENTS

Section 1. Except as may otherwise be stated in these Bylaws, 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 in the Association, 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 Mortgagees holding fifty-one percent (51%) of the first Mortgages encumbering Lots; provided further, that so long as there remains a Class B membership in the Association, the VA and the FHA shall

have the right to veto any amendments to these Bylaws. "Material amendment" shall mean, for purposes of this Article XIII, 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 repair and replacement of the Common Area and the exterior of dwelling units located on Lots.

(d) Property maintenance obligations.

(e) Insurance or Fidelity Bonds.

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

(g) Rights to use the Common Area.

(h) Expansion or contraction of the Properties or the addition, annexation or withdrawal of property to or from the Properties.

(i) Voting.

(j) Boundaries of any Lot.

(k) The interests in the Common Area.

(l) Convertibility of Lots into Common Area or of Common Area into Lots.

(m) Leasing of Lots.

(n) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Lot.

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

Notwithstanding the above provisions, the percentage of the voting power necessary to amend a specific clause or provision in the Bylaws shall not be less than the percentage of affirmative votes necessary for action to be taken under that clause or provision.

Section 2. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XIV

MISCELLANEOUS

Section 1. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

Section 2. The Board shall cause:

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

(b) an annual report consisting of the following to be distributed within one hundred twenty (120) days after close of the Association's fiscal year:

- (1) a balance sheet as of the end of the fiscal year;
- (2) an income and expense statement for the fiscal year;
- (3) a statement of changes in financial position for the fiscal year;
- (4) any information required to be reported under Section 8322 of the California Corporations Code.

(c) the annual report referred to in Subsection (b) above shall be prepared by an independent public accountant for each fiscal year.

Section 3. The Board shall cause a pro forma operating statement (budget) for the Association to be prepared for the second and each succeeding fiscal year of the Association, a copy of which shall be distributed personally or by mail to each of the Members not fewer than sixty (60) days prior to the beginning of the fiscal year to which the budget relates.

Section 4. Any procedure, action or matter for which these Bylaws require the vote or written assent of a majority of the voting power of each class of Members, shall, after conversion of the Class B membership in the Association to Class A membership, require the vote or written assent of (i) a majority of the voting power of Members of the Association, and (ii) at least a majority of the voting power of Members of the Association other than Declarant.

ARTICLE XV

NOTICE TO LENDERS

Upon the written request of the holder of a first Mortgage encumbering any Lot to the Association which identifies the name and address of the holder and the Lot number and address, the Association shall give to such holder (i) prior written notice of any action of the Association taken in connection with any material amendment to the Declaration, these Bylaws or the Articles, the effectuation of a decision to terminate professional management of the Common Area and the abandonment or termination of the project composed of the Lots and Common Area; (ii) written notice of any substantial damage to or destruction of any improvement located on a Lot or any part of the Common Area promptly upon such damage or destruction; (iii) written notice of any condemnation or eminent domain proceeding or proposed acquisition in lieu thereof of any Lot or the Common Area or any part thereof, promptly upon the commencement thereof; (iv) written notification of any default by the Owner of a Lot encumbered by a first Mortgage, the holder of which requests such notice, in the performance of such Owner's obligations under the Declaration of these Bylaws which is not cured within sixty (60) days, and (v) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

ARTICLE XVI

ADDITIONAL RIGHTS OF LENDERS

Unless at least sixty-seven percent (67%) of the holders of first Mortgages encumbering Lots who have requested written notice pursuant to Article XV of the Bylaws (based upon one (1) vote for each Mortgage) have given prior written approval, the Association shall not be entitled to:

(a) By act or omission seek to alienate, release, hypothecate, abandon, partition, subdivide, encumber, sell or transfer the Common Area or facilities, except for the granting of easements for utilities and similar or related purposes.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

(c) By act or omission change, waive or abandon any scheme of regulation or enforcement thereof pertaining to the architectural design or the exterior appearance of residential units located upon any Lot, the exterior maintenance of such units, the maintenance of the Common Area walks or common fences or the upkeep of lawns and plantings in the Properties.

(d) Fail to maintain Fire and Extended Coverage on the insurable improvements located on the Common Area on a current replacement cost basis in an amount less than one hundred percent (100%) of the insurable value (based on current replacement cost).

(e) Use hazard insurance proceeds for losses to the Common Area or improvements located thereon for other than the repair, replacement or reconstruction of such improvements.

IN WITNESS WHEREOF, the undersigned, being the Incorporator of the Association, hereby adopts these Bylaws as the Bylaws of the Association.



ALEX C. McDONALD

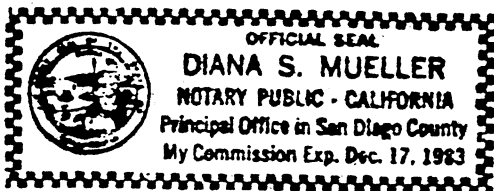
STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On this 26th day of August, 1983, before me,
Diana S. Mueller, a Notary Public in and for said
state, personally appeared ALEX C. McDONALD, personally known to
me (or proved to me on the basis of satisfactory evidence) to be
the person whose name is subscribed to the within instrument and
acknowledged that he executed the same.

WITNESS my hand and official seal.

Diana Mueller

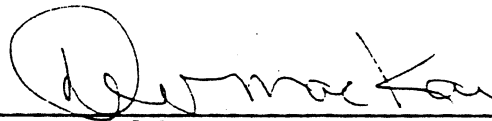
NOTARY PUBLIC



I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of The Crest of Calavera Hills Homeowners Association, a California Nonprofit Mutual Benefit Corporation; and,
2. That the foregoing Bylaws, comprising nineteen (19) pages, constitute the Bylaws of said corporation duly adopted by Written Consent of the Incorporator dated August 26, 1983.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 8th day of September, 1983.



Donald W. Mackay, Secretary

The Crest of Calavera Hills Homeowners Association

ARCHITECTURAL GUIDELINES

Following you will find information explaining the Architectural Guidelines for the Crest of Calavera Hills Homeowners Association. This information include Article V of the CC&R's which defines the Architectural Guidelines as well as more detailed information found as Section III titled Architectural Guidelines in the Rules and Regulations

CC&R'S ARTICLE V

No building, fence, wall, patio, patio cover or other structure or improvement, nor exterior painting, shall be commenced, erected, placed or altered upon any Lot until the location and the complete plans and specifications showing the nature, kind, shape, height and materials, including the color, have been submitted to and approved in writing as to harmony of external design and location to surrounding structures and topography by the Board, or by an architectural committee composed of three (3) or more but not to exceed five (5) representatives appointed by the Board from the membership of the Association; provided, however, that in the event the Board or its designated committee fails to approve or disapprove such location, plans and specifications or other request made of if within thirty (30) days after the submission thereof to it, then such approval will not be required, provided that any structure or improvement so to be erected or altered conforms to all other conditions and restrictions herein contained and is in harmony with similar structures erected within the Properties. The grade, level or drainage characteristics of the Lot or any portion thereof shall not be altered without the prior written consent of the Board or its designated committee. . . .No building additions shall be permitted without the prior approval of the Planning Director of the City of Carlsbad.

ARCHITECTURAL GUIDELINES

1. Any and all modifications to any part of any lot must be approved by the Board, in writing, prior to any work being done. This applies, but is not limited to, decks, patio covers, sidewalks, landscaping, screen doors and drain changes. A sample copy of the request form is attached. Forms may be obtained from the Board or our management company. See Appendix "B".
2. Satellite dishes cannot be installed in the common area. See the Association's adopted Satellite Dish Installation and Maintenance Policy, Appendix "C".
3. Guidelines for installing a 2-foot lattice fence extension on the patio fence are listed below. Board approval is necessary before installation.
 - a. The lattice is to be framed or capped on all edges above fence line.
 - b. Overall height of the lattice is not to exceed two (2) feet.
 - c. The framing material is not to exceed two inches by two inches (2" x 2").
 - d. Style of lattice is to be diagonal (xxx) in design.
 - e. The lattice should have clean finished edges.
 - f. The lattice is to be structurally sound.
 - g. The lattice is to be uniform with any existing **approved** adjacent unit's lattice.
 - h. All sides of the lattice are to be painted to match exterior fence. Paint color is: Behr Solid Color Stain Dark Gray #503.
 - i. All City Codes must be met.
 - j. Owners are responsible for the maintenance of the lattice at all times.
4. Guidelines for installing cable (e.g. for cable television) on the exterior of the building have been established. Externally routed cable must be painted to match the material (siding, trim, or stucco) behind it within 30 days of cable installation. The cable installer should be instructed to use the following guidelines prior to installation:
 - a. Where practical, the cable should be routed internally rather than externally.
 - b. If the cable must be run externally, then priority should be given to cable concealment instead of simply running the cable the shortest possible distance. We recommend that the cable be run at the base of the building if possible, or along the siding, corners or other similar routes that will help to conceal it from view.

- c. Installation should be done with the minimum number of fasteners needed to best conceal the cable. The homeowner will be responsible for any damage to the building exterior that is a direct result of the cable installation.
 - d. Notify the Board of Directors when the installation has been completed so that the improvement can be reviewed for compliance with the painting requirement and association guidelines.
5. Modifications may not be made on the common area; e.g., landscaping, lighting, pool area, picnic area.