

BY-LAWS
OF
PLAYMOR LA JOLLA HOMEOWNERS ASSOCIATION

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BYLAWS FOR
PLAYMOR LA JOLLA HOMEOWNERS ASSOCIATION

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ARTICLE I.

DEFINITIONS

Project Defined

Section 1.01 "Project" shall mean all of that certain real Property described in Exhibit "A" attached and incorporated herein by reference.

Declaration Defined

Section 1.02 "Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions applicable to the Project and filed in the Office of the Recorder of the County of San Diego, on _____, 19____, as File/Page No. _____ and following, as the same may be amended from time to time in accordance with the terms thereof.

Other Terms Defined

Section 1.03 Other terms used herein shall have the meaning given to them in the Declaration and are hereby incorporated by reference and made a part hereof.

ARTICLE II.

QUALIFICATIONS FOR MEMBERSHIP

Proof of Membership

Section 2.01 No person or persons shall exercise the rights of

membership until satisfactory proof has been furnished to the Secretary of the Association of qualification as a Member, or nominee of a Member, pursuant to the terms of the Declaration. Such proof may consist of a copy of a duly-executed and acknowledged grant deed or title insurance policy showing said person, or the person nominating him, is qualified in accordance therewith, which said deed or policy shall be deemed conclusive in the absence of a conflicting claim based upon a later deed or policy. The sole qualification for membership shall be ownership of a Unit in the Project. The voting shares appurtenant to the membership shall be determined according to the scheduled set forth in Article III of the Declaration. No membership may be separated from the property to which it is appurtenant; provided, however, that the privileges of ownership may be exercised by a nominee of an Owner designated in writing so long as (1) the nominee is a resident on the property to which the membership is appurtenant; (2) no charge is made for use of the membership in excess of the amount of any assessments levied against the Owner by reason thereof; and (3) any such assignment of privileges is revocable at the will of the Owner.

No Additional Qualifications

Section 2.02 No initiation fees, costs or dues shall be assessed against any person as a condition upon his exercise of the rights of membership except such assessments, levies, and charges as are specifically authorized under the Articles of Incorporation or the Declaration.

Certificates of Membership

Section 2.03 The Board of Directors may provide for the

issuance of certificates evidencing membership in the Association which shall be in such form as may be determined by the Board. All certificates evidencing membership shall be consecutively numbered. The name and address of each Member and the date of issuance of the certificates shall be entered on the records of the Association maintained by the Secretary. If any certificates shall become mutilated or destroyed, a new certificate may be issued therefor upon such terms and conditions as the Board may direct.

ARTICLE III.

VOTING RIGHTS

Class Voting Structure

Section 3.01 The Association shall have one class of voting memberships, as follows:

(a) All Owners shall be entitled to one membership. Members shall be entitled to one vote for each Unit owned. When a Unit is owned by more than one person, such persons shall decide among themselves how that Unit's vote is to be cast, but in no event shall more than one vote be cast per Unit. The Owners may designate one of the Owners to be the "voting member" who shall have the authority to cast any vote as such Owner sees fit; or they may decide by a majority vote among themselves how their Unit's vote is to be cast, but fractional votes shall not be allowed.

ARTICLE IV.
ADMINISTRATION

Association Responsibilities

Section 4.01 The Board of the Association shall have the responsibility of administering the Project, approving the final budget, establishing and collecting monthly assessments, and arranging for the management of the Project.

Membership Meetings

Section 4.02 Meetings of the Members shall be held and conducted as follows:

Annual Meetings

Section 4.03 The annual meeting of the Members of the Association shall be held within seven (7) days of the calendar date of the first annual meeting date. The time shall be designed to encourage maximum attendance of Members. If the day for the annual meeting of the Members is a legal holiday, the meeting shall be held at the same hour on the first day following which is not a legal holiday (excluding Saturday and Sunday).

Special Meetings

Section 4.04 Special meetings of the Members may be called at any time by a majority of a quorum of the Board, or upon receipt by the Board of a written request of the Members representing at least five percent (5%) of the total voting power of the Association including Declarant.

Place

Section 4.05 Meetings of the Members shall be held within the Project or at a meeting place as close thereto as possible as the

Board may specify in writing.

Notice of Meetings

Section 4.06 Written notice of all regular and special Members' meetings shall be given by or at the direction of the Secretary of the Association (or other persons authorized to call the meeting), said notice stating the purpose thereof, as well as the time and place where it is to be held, to the address of each Member as it appears on the Membership register of the Association, not less than ten (10) nor more than ninety (90) days prior to any meeting at which Members are required or permitted to take any action. The mailing or personal delivery of a notice in the manner provided in this Section shall be considered notice served. Upon written request therefor, written notice of each annual meeting shall be given to all first mortgagees.

Quorum

Section 4.07 The presence, either in person or by proxy, at any meeting of Members entitled to cast at least fifty-one percent (51%) of the voting power of the membership shall constitute a quorum for any action except as otherwise provided in the Articles, Bylaws, or this Declaration. In the absence of a quorum at a Members' meeting, a majority of those Members present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum by those in attendance shall be to a date not less than five (5) days nor more than thirty (30) days from the meeting date, at which meeting the quorum requirements shall be twenty-five percent (25%) of the total voting power of the Association. 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.

Proxies

Section 4.08 At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association. Every proxy shall be revocable, and shall automatically cease upon conveyance by the Member of his Unit, or upon receipt of notice by the Secretary of the death or after judicially declared incompetence of such Member. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise specifically provided in the proxy.

Action Without a Meeting

) Section 4.09 Any action which may be taken by the vote of Association Members at a regular or special meeting, except the election of Board Members, may be taken without a meeting if the Board distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Board.

(a) Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to

approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(b) Ballots shall be delivered to Association Members in the same manner as provided for delivery of notice of meetings in Section 4.06 of this Article IV. All such ballots shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The ballot must specify the time by which it must be received in order to be counted.

Order of Business

Section 4.10 The order of business of all meetings shall be as follows:

1. Roll call;
2. Proof of notice of meeting;
3. Reading of Minutes of preceding meeting;
4. Reports of officers;
5. Reports of committees;
6. Appointment of inspectors of election;
7. Election of Board members;
8. Unfinished business; and
9. New business.

Mortgagee Representation

Section 4.11 First Mortgagees shall have the right to attend all membership meetings through a representative designated in writing and delivered to the Board.

Fiscal Year

Section 4.12 Unless modified by resolution of the Board, the fiscal year of the Association shall be the calendar year.

ARTICLE V.

BOARD OF DIRECTORS

Board of Directors

Section 5.01 The affairs of the Association shall be managed and its duties and obligations performed by an elected Board of Directors, subject to the following provisions:

Number

Section 5.02 The Board shall consist of a minimum of three (3) and a maximum of seven (7) persons, who need not be Members of the Association, until conversion of Class B membership to Class A, after which time all Directors must be Members of the Association.

Term

Section 5.03 At the first meeting of the Association, the Members shall elect three (3) Directors for a term of one (1) year, and unless changed by a majority vote of the Membership at each annual meeting thereafter, the Members shall elect three (3) Directors for a term of one (1) year.

Nomination and Election

Section 5.04 the nomination and election of Directors shall be in accordance with the following:

Nomination

(a) Nomination for election to the Board of Directors shall be made from the floor at the annual meeting of the Members and by a

nominating committee appointed by the Board prior to each annual meeting of the Members.

Election

(b) Every Owner entitled to vote at any election for Board of Directors shall do so by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the highest number of votes shall be elected. Cumulative voting is prescribed for all elections in which more than two (2) positions of the Board are to be filled, pursuant to the procedural prerequisites to cumulative voting prescribed in Sections 7615(a) and 7615(b) of the California Corporations Code. If the Members do not have enough votes to elect at least one member of the Board, then one of the Board Members shall be elected separately by vote of the Members.

Special Procedure

(c) Notwithstanding the provisions of Section 5.04(b) of this Article, so long as there are two outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents on the governing body shall be elected solely by the votes of Owners other than the Declarant.

Vacancies

Section 5.05 In the event of a vacancy on the Board caused by the death, resignation or removal of a Director, the remaining Directors shall elect a successor who shall serve for the unexpired term of his predecessor.

Meetings

Section 5.06 The meeting of the Directors shall be held and conducted as follows:

Organizational Meeting

(a) The first meeting of a newly-elected Board shall be held within thirty (30) days of election at such place within the Project as shall be fixed by the Board at the meeting at which such Board was elected, and no notice shall be necessary to the newly-elected Board members in order to legally constitute such meeting; provided a majority of the whole Board shall be present.

Regular Meetings

(b) Regular meetings of the Board of Directors shall be held monthly at such place within the Project, and at such time as may be fixed from time to time by resolution of the Board. Notice of the time and place of meetings shall be posted at a prominent place or places within the Common Area of the Project not less than four days prior to such meeting.

Special Meetings

(c) Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association or by any two (2) Directors other than the President. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice of any special meeting must be given to each Director not less than four (4) days nor more than fifteen (15) prior to the date fixed for such meeting by written notice delivered personally or sent by mail to each Director at his address as shown in the records of the Association; provided,

however, that notice of a meeting need not be given to any Board member who has signed a waiver of notice or a written consent to holding of the meeting. A copy of such notice shall be available for inspection at the Association office during normal business hours within three (3) days prior to the date of the meeting, and shall be posted at a prominent place or places within the Common area (except in emergency situations) not less than 72 hours prior to such meeting.

Quorum

Section 5.07 At all meetings of the Board, a majority of the Board shall constitute a quorum for the transaction of business, and the acts of the majority of the Board members present at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting to a time certain. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted provided a quorum is present.

Open Meetings

Section 5.08 Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Association 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; provided, further, however, that upon the vote of a majority of a quorum of the Board, the Board may adjourn a meeting and reconvene in executive session as described in Section 5.09 below, to discuss and vote upon personnel matters, litigation in which the Association is or may become

involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Executive Session

Section 5.09 Upon the vote of a majority of a quorum of the Board, the Board may 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 orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Powers and Duties

Section 5.10 The Board shall have the power and duties necessary for the administration of the affairs of the Association, and may do all such acts and things as are not by law or these Bylaws directed to be exercised and done by the Members. The powers of the Board shall include, but not be limited to, the following:

1. Enforcement and carrying out of the provisions of the Declaration, Bylaws, Rules and Regulations, and other agreements;
2. Payment of taxes and special assessments which are or would become a lien on the Common Areas;
3. Contracting and paying for fire, casualty, liability and other insurance insuring the Association, Board, and Unit Owners;
4. Contracting and paying for maintenance, gardening, utilities, materials and supplies, and other goods and services relating to the Common Areas, and employment of personnel necessary for the operation of the Project, including legal and accounting

services, subject to the limitations of Section 5.11 below;

5. Delegation of its powers to committees, officers or employees of the Association as expressly authorized in the Declaration and these Bylaws;

6. Preparation of budgets and financial statements as prescribed in Section 5.17 of this Article V;

7. Formulation, adoption and publication of Rules and Regulations governing the use of the Project, and the personal conduct of the Members and their guests thereon;

8. Imposition of fines and suspension of voting rights for non-payment of assessments or other breaches of the Declaration, the Bylaws, or the Association's published Rules and Regulations after notice and hearing are required by other provisions hereof;

9. Entering upon any privately-owned Lot as necessary in connection with construction, maintenance, or emergency repair for the benefit of the Common Area or the Owners in common;

10. Levying of assessments as provided in the Declaration;

11. Election of officers of the Board;

12. Filling of vacancies on the Board except for a vacancy created by the removal of a Board member.

Limitations

Section 5.11 Notwithstanding the powers set out above, the Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association:

(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the

Association for a term longer than one (1) year with the following exceptions:

1. A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;
2. A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the terms of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.
3. Prepaid casualty and/or liability insurance policies of not to exceed three years' duration, provided that the policy permits short-rate cancellation by the insured;
4. Agreements for cable television services and equipment of not to exceed five years' duration, provided that the supplier is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

Expenditures

(b) Incurring 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.

Selling Property

(c) Selling during any fiscal year property of the Association having an aggregate fair market value in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

Compensation

(d) Paying compensation to Directors or to officers of the Association for services rendered in the conduct of the Association's business; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

Action Without Meeting

Section 5.12 The governing body may take actions without a meeting if all of its members consent in writing to the action to be taken. If the governing body resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three days after the written consents of all governing body members have been obtained.

Other Duties

Section 5.13 In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board shall be responsible for the following: care, upkeep and surveillance of the Project as provided in the Declaration; collection of monthly and special assessments from the Owners; and hiring and dismissing the personnel necessary for the Association's maintenance and operation of the Project.

Management Agent

Section 5.14 Subject to the limitations set forth in Section 5.11 of these Bylaws, the Board may employ for the Association a management agent and/or security officers at a compensation established by the Board to perform such duties and services as the Board shall

authorize. The Association may not terminate professional management and assume self-management without the written consent of at least seventy-five percent (75%) of the first Mortgagees of Units in the Project. Any management agreement for the Project shall provide for termination by either party without cause and without payment of a termination fee, upon thirty days' written notice, and shall have a term, not exceeding one year, renewable by agreement of the parties for successive one-year periods.

Removal of Board Members

Section 5.15 At any regular or special meeting of the Association Members duly called, any one or more of the Board members may be removed with or without cause by a majority of the Association Members, and a successor may then and there be elected to fill the vacancy thus created (by cumulative voting as provided in Section 5.04(b) of this Article V). Any Board member whose removal has been proposed by the Association Members shall be given an opportunity to be heard at the meeting. Unless the entire Board is removed from office by the vote of Members of the Association, no individual Board member shall be removed prior to the expiration of his term of office if the votes cast against removal would be sufficient to elect the Board Member if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Board members authorized at the time of the most recent election of the Board member were then being elected; provided, however, that a Board member who has been elected to office solely by the votes of Members of the Association other than the Declarant may be removed prior to the expiration of his term only by the vote of at least a simple majority

of the voting power residing in Association Members other than the Declarant.

Fidelity Bonds

Section 5.16 The Board may require that all officers and employees of the Association handling or responsible for the Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

Financial Reports

Section 5.17 The following financial information shall be distributed by the governing body to all Members regardless of the number of Members or the amount of assets of the Association:

1. A budget for each fiscal year consisting of at least the following information shall be distributed not less than 45 days nor more than 60 days prior to the beginning of the fiscal year.

A. Estimated revenue and expenses on an accrual basis;

B. The amount of the total cash reserves of the Association currently available for replacement for major repair of common facilities and for contingencies;

C. An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to, major components of the Common Areas and facilities for which the Association is responsible;

D. A general statement setting forth the procedure used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Areas and facilities for which the Association is responsible.

2. A balance sheet - as of an accounting date which is the last day of the month closest in time to six months from the date of the close of escrow for the first sale of an interest in the subdivision - and an operating statement for the period from the date of the first close of escrow to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable, identified by the number of the subdivision and the name of the entity assessed.

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

A. A balance sheet as of the end of the fiscal year;

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

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

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

4. A Statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its members shall be annually delivered to the members during the 60-day period immediately preceding the beginning of the Association's fiscal year.

(a) If the report referred to in Section 5.17(3) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the

statement was prepared from the books and records of the Association without audit or review.

(b) In addition to financial statements, the governing body shall annually distribute, within 60 days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments, including the recording and foreclosing of liens against Members' subdivision interests.

Operating and Reserve Accounts

Section 5.18 In addition to the duties set forth above, the Board shall do all of the following:

1. Review a current reconciliation of the Association's operating accounts on at least a quarterly basis;
2. Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis;
3. Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;
4. Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts;
5. Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis;

(a) The signatures of at least two persons, who shall be members of the Board, or one member of the Board and one officer who is not a member of the Board, shall be required for the withdrawal of

election is held by the Board.

President

Section 6.03 The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the legal powers and duties which are usually vested in the office of President of an Association, including, but not limited to, the power to appoint committees from among the Members from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association. All disbursements of funds, monies, and other assets of the Association shall require the joint written signatures of the President and Treasurer; provided, however, that if either the President or Treasurer is not available, the Secretary may sign in his place.

Vice President

Section 6.04 The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

Secretary

Section 6.05 The Secretary shall keep the minutes of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of

Secretary. The Secretary shall also be responsible for maintaining the membership register of the Association.

Treasurer

Section 6.06 The Treasurer shall have responsibility for Association funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. Such books shall be open to inspection by any Member of the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name of and to the credit of the Association in such depositories as may from time to time be designated by the Board, and shall disburse the funds of the Association as may be ordered by the Board.

Execution of Documents

Section 6.07 The Board may authorize any officer or officers to enter into any contract or execute any document in the name of and on behalf of the Association; and unless so authorized by the Board, no officer or other person shall have any power or authority to bind the Association or to pledge its credit or to render it liable for any debt or obligation.

ARTICLE VII.

AMENDMENTS

Amendments

Section 7.01 These Bylaws may be amended by the vote or written assent of a majority of each class of Members in existence at the time the amendment is considered. Upon cessation of two-class voting as provided in Article III, Section 3.01 herein, these Bylaws may be

amended by a majority of the voting power of the Association and a majority of the votes of Members other than the Declarant. However, notwithstanding the above, no material amendment hereto shall become effective unless approved in writing by at least two-thirds of all first Mortgagees of Condominiums within the Project.

Section 7.02 For the purposes of this Article VII, the term "material amendment" shall mean amendments to provisions of these Bylaws governing the following subjects:

1. Change the prorated interest or obligations of any individual condominium for the purpose of: (a) levying assessments or charges or allocating distribution of hazard insurance proceeds or condemnation awards; or (b) determining the prorated shares of ownership of each Condominium in the Common Area;

2. Abandon or terminate the Condominium Project, except as may be provided by statute;

3. Partition and subdivide any Condominium Unit;

4. By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the common elements. In that regard, the granting of easement for public utilities or for other purposes consistent with their intended use of the Common Areas shall not be deemed a transfer;

5. Use casualty insurance proceeds for losses to any improvements of the Common Area for other than the repair, replacement or reconstruction of such improvements.

ARTICLE VIII.

CONFLICTS

Conflicts

Section 8.01 In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE IX.

INSPECTION OF BOOKS AND RECORDS

Inspection of Books and Records

Section 9.01 The membership register, books of account, and minutes of meetings of the Association members, of the Board, and of the Board's committees shall be made available for inspection and copying by any Member of the Association, or by his duly-appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, in the office of the Association or at such other place within the project as the Board shall prescribe, subject to such reasonable rules as the Board may establish with respect to (i) notice to be given to the custodian of records by the Member desiring to make the inspection; (ii) hours and days of the week when such an inspection may be made; and (iii) payment of the cost of reproducing copies of documents requested by a Member.

Section 9.02 Every Board member shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of inspection by a Board Member includes the right to make extracts and copies of documents.

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS THAT:

The undersigned, Secretary of the Association, known as PLAYMOR LA JOLLA HOMEOWNERS ASSOCIATION, does hereby certify that the above and foregoing Bylaws were duly adopted by the Board of Directors of said Association on the _____ day of _____, 19____, and that they now constitute said Bylaws.

Secretary