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RESTATED BYLAWS OF
CASITAS DEL MONTE CONDOMINIUM OWNERS' ASSOCIATION

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RESTATED BYLAWS OF
CASITAS DEL MONTE CONDOMINIUM ASSOCIATION

ARTICLE I
Recitals and Definitions

[1.1] ***Name of Association.*** The name of this corporation is Casitas del Monte Condominium Owners' Association and shall be referred to herein as the "Association."

[1.2] ***Association Is Nonprofit.*** The Association has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Corporations Code §7110-8970) as a nonprofit mutual benefit corporation and in accordance with the applicable provisions of Internal Revenue Code §501(c)(7), as amended, pertaining to owners Associations.

[1.3] ***Specific Purpose.*** The specific and primary purpose of this Association shall be to own, repair, maintain, and manage the Common Area and Common Facilities within that certain real estate common interest development located in the County of Riverside, State of California, and commonly referred to as Casitas del Monte Condominium Owners' Association; to enforce the Rules and Regulations adopted by the Board of Directors from time to time, and the terms and conditions of the Declaration and otherwise to enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

[1.4] ***Definitions [Generally].*** Except as expressly stated herein and unless the context hereof requires otherwise, the terms under in these Bylaws shall be those set forth in the Declaration of Covenants, Conditions, and Restrictions, and any amendments thereto.

ARTICLE II
Principal Office

[2.1] ***Location of Principal Office.*** The principal office of the Association will be located at such place within the State of California, as the Board may from time to time designate by resolution.

ARTICLE III
Membership

[3.1] ***Members of the Association.*** Every Owner of a Time Share Interest in Casitas del Monte Condominium Owners' Association is a Member of the Association.

[3.2] ***Term of Membership.*** Each Owner of a Time Share Interest who is a Member shall remain a Member until he/she/it no longer qualifies as such under Article III, Section 1, above. An Owner of a Time Share Interest shall automatically become a member of the Association and shall remain a member thereof until such time as the ownership of such Time Share Interest ceases for any reason, at which time the corresponding membership in the Association shall automatically cease; provided, however, that to such extent and for such purposes, including voting, as shall be provided by the terms of any appropriate written document filed with the Board of Directors of the Association, the mortgagee, Deed of Trust beneficiary, or contract seller of any Time Share Interest declared in default under such instrument shall be deemed to be the owner thereof.

[3.3] ***Multiple Ownership of Time Share Interests.*** Ownership of a Time Share Interest shall give rise to a single membership vote in the Association. Accordingly, if more than one person/entity owns a Time Share Interest, all of these persons/entities shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities pursuant

to the terms of the Declaration of Covenants, Conditions, and Restrictions of the Association, as may from time-to-time be amended. The Secretary of the Association shall be notified in writing of the Owner designated by his/her/its Co-Owners as having the sole right to vote the membership on their/its behalf. If no such notification is received the Secretary may accept the vote of any Owner of Record, or proxy holder of such an Owner, as the vote attributable to the Time Share Interest in question, provided that if the multiple Owners of a Time Share Interest attempt to vote the membership attributable to said Time Share Interest in an inconsistent fashion, the Secretary or other person(s) designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the Time Share Interest.

[3.4] ***Furnishing Evidence of Membership.*** A person/entity shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he/she/it is qualified to be a Member under Article III, Section 1, above, and, if requested by the Secretary, has provided the Secretary with evidence of such qualification in the form of a copy of a recorded grant deed (certified by the Office of the Recorder). Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting, and actions by written ballot and eligibility for voting set forth in Article V, Section 8.

ARTICLE IV
Membership Voting

[4.1] ***One Class of Membership.*** The Association shall have one class of voting membership.

[4.2] ***Member Voting Rights.*** On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Time Share Interest owned by such Member. Single memberships in which two or more persons/entities have an indivisible interest shall be voted as provided in Article III, Section 3 of these Bylaws.

[4.3] ***Eligibility To Vote.*** Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Time Share Interest and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with Article 5 of the Restated Declaration. A Member's good standing shall be determined as of the record date established in accordance with Article V, Section 8. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing in accordance with the Declaration.

A Member who owns more than one Time Share Interest shall be ineligible to vote if that Member is delinquent with respect to any such Time Share Interest.

[4.4] ***Manner of Casting Votes.***

(a) **Voting at Membership Meetings.** Due to the size of the Association's membership and the number of nonresident Members, all Member voting shall be conducted by written ballot (see Article IV, Section 6). Voting at any membership meetings shall be limited to (i) the receipt of written ballots previously mailed to the Members; (ii) the conduct of informational, non-binding votes to poll the Members in attendance with respect to a matter or of interest to the Association or the common interest development; (iii) to approve a motion for the submission of a matter or proposal to the members for a vote by written ballot in accordance with Article IV, Section 6; or (iv) votes on procedural matters relating to the conduct of the meeting, such as a vote to adjourn. Any motion pursuant to subparagraph (iii) of the preceding sentence must be approved by the affirmative vote of at least five (5%) percent of the voting power of the Members (see subparagraph (h) of Article 4, Section 6, below).

The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by ten (10%) percent of the voting power present at the meeting.

(b) **Voting by Written Ballot.** Except for the limited membership voting permitted at meetings (see subparagraph (a), above), Members' votes shall be solicited by written ballot with respect to any issue requiring membership approval under the Governing Documents or by law. Written ballot voting shall be conducted in accordance with Article IV, Section 6.

(c) **Proxy Voting.** Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Article IV, Section 5.

(d) **Cumulative Voting.** Each Member entitled to vote at any election of directors where more than two positions are to be filled shall have the right to cumulate his/her/their votes by giving one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the Member is entitled, or by distributing his/her/their votes on the same principle among as many candidates as he or she desires. No Member shall be entitled to cumulate votes unless (i) the candidate's name or candidates' names have been placed in nomination before the voting, and (ii) a Member has given notice at the meeting, and before the voting, of the Member's intention to cumulate the Member's votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

[4.5] ***Proxies***

(a) **Proxies Generally.** Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Secretary of the Association. Any proxy, unless limited by its terms, shall continue until revoked in writing filed with the Secretary or by the death or incapacity of such member, but in no instance may such delegation of proxy continue for more than three (3) years without the Member redelegating the authority in writing, signed by such Member and filed with the Secretary. Proxy forms shall be dated to assist in verifying their validity.

(b) **Effectiveness of Proxies.** Every proxy continues in full force and effect until revoked by the issuing member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates shown on the forms of proxy presumptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Time Share Interest as provided in Article III, Section 1.

(c) **Validity of Proxies With Respect to Certain Material Transactions.** Any proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

(i) Removal of directors without cause;

(ii) Filling of vacancies on the Board;

(iii) Approval of contracts or transactions between the Association and one or more of its directors, or between the Association and a corporation, firm or Association in which one or more of its directors has a material financial interest;

(iv) Amendment of the Articles of Incorporation, these Bylaws, or the Declaration;

(v) Action to change any Association assessments in a manner requiring membership approval under the Declaration;

(vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities;

(vii) Merger of the Association or an amendment to an agreement of merger; and

(viii) Voluntary dissolution of the Association.

(d) **Limited Proxies.**

(i) Any form of proxy distributed to 10 or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(ii) In accordance with subparagraph d(i), above, proxies distributed in connection with the election of directors shall set forth the names of all individuals who are candidates for election to the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(e) **Restriction or Elimination of Proxy Rights: Limitation on Authority.** No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the voting power of each class of Member represented and voting at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the voting power of Members by written ballot as provided in article IV, section 6.

(f) **Proxy Rules for Memberships Held by More Than One Person.** Where two or more persons constitute a Member, any proxy with respect to the vote of such Member shall be signed by all such persons. All such persons may attend meetings, but no vote of such Member shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

(g) **No Proxy Voting in Connection With Written Ballots.** Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Article IV, Section 6.

(h) **Revocation of Proxies.** Any proxy issued hereunder shall be revocable by the Member executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation; or (ii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. A proxy shall be deemed revoked when the secretary receives actual notice of the death or judicially declared incompetence of the issuing Member, or upon termination of such Member's status as an Owner of a Lot as provided in Article III, Section 2.

[4.6] ***Action by Written Ballot.***

(a) **Definition of Written Ballot.** A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this section 6. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) **Written Ballots Generally.** Any matter or issue requiring the vote of the Members, including the election of directors, may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, as long as the requirements for action by written ballot set forth in this section 6 are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board. Alternatively, that determination may be made by Members possessing five (5%) percent of the total voting power of the membership signing a written request and delivering this request to the President, Vice President or Secretary. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Article V, Section (8)(a)(iii)) for purposes of determining those Members eligible to cast written ballots.

(c) **Balloting Time Requirements.**

(i) Director Elections. The balloting in director elections shall be scheduled to culminate on the date of the annual membership meeting in the case of any vacancy created by the normal expiration of a director's term of office. In the case of a special election called to fill a vacancy caused by the removal of a director, the balloting shall be scheduled to culminate on the date established for a special meeting called for the purpose of providing prospective candidates an opportunity to present their qualifications and platform to the members.

In the case of written ballots used in the election of directors, the ballots shall be mailed to all Members who are eligible to vote not more than forty-five (45) days prior to the date set for the election, but no less than fifteen (15) days prior to such date. If the Member elects to return his or her written ballot by mail or personal delivery to the address set forth in the solicitation materials for return of the ballots prior to the meeting at which the director election will be held, the written ballot must be received no later than the close of business on the second business day prior to the scheduled meeting date. If the Member elects to return his or her written ballot in person at the meeting, the ballot must be inserted in the ballot box prior to conclusion of the time scheduled on the meeting agenda for receipt of ballots and conclusion of the election process at the meeting.

(ii) Other Matters. In the case of any other matter or issue submitted to the Members for approval by written ballot, the Board shall distribute the written ballot to every Member entitled to vote on the matter at least thirty (30) days prior to the final date the written ballots are to be received to be counted.

(iii) Extension of the Balloting Period. The time fixed for the return of written ballots may be extended only if the Board so notifies the Members in the balloting materials originally sent to Members and then for not more than two successive periods of 30 days each. Notwithstanding the foregoing, if a meeting that is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened.

(d) **Content of Written Ballots.**

(i) Written Ballots Used for Voting in Director Elections. Written ballots used in any election of directors shall set forth the names of the candidates whose names have been placed in nomination at the time the ballot is issued (see Article VII, Section 4). The ballot form shall also provide a space where the Member can designate a vote for another (write-in) candidate.

(ii) Written Ballots Used for Voting on Other Matters. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(iii) Specification of Time for Return of Written Ballot. All written ballots shall state the time by which the ballot must be received in order to be counted (see subparagraph (c) above).

(e) **Requirements for Valid Member Action by Written Ballot.** Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in Article V, Section 5) that would have been required to be present at a membership meeting if a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

If the time for returning written ballots is extended in accordance with subparagraph (c)(ii), above, the reduced quorum percentage specified in Article V, Section 5(c)(ii) shall apply during the extension period(s).

(f) **Solicitation Rules.**

(i) Solicitation Rules Generally. Written ballots shall be solicited in a manner consistent with the requirements of Article V, Section 4, pertaining to the issuance of notices of Members' meetings. All solicitations of written ballots shall indicate (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Association in order to be counted; and (C) in the case of any written ballot distributed to vote on matters other than the election of directors, the percentage of affirmative votes necessary to approve the measure submitted for membership approval. If the period for the return of written ballots is extended under subparagraph (c)(iii), above, the Board shall be entitled to announce to the Members the aggregate votes for or against the proposal received as of the extension date.
(ii) Director Elections. In addition to the requirements of subparagraph (i), above, solicitation materials accompanying written ballots distributed in director elections shall advise the Members that their ballots may be returned by mail or personal delivery to the Association's principal office. If a Member attends the membership meeting in person and has not returned the ballot by mail, it will be necessary for the Member to register during the registration period and receive a different form of ballot. The solicitation materials shall also set forth the address where written ballots can be returned by mail or personal delivery in advance of the meeting at which the election will be held.

(g) **Additional Balloting Procedures.** In order to ensure the secrecy of written ballots utilized in director elections and fairness in the conduct of the election, the Board may but shall not be obligated to use the services of a public accountant to receive and tabulate all written ballots (whether returned by mail or cast in person by Members attending the meeting at which the election takes place). The accountant retained to perform such services shall have the full powers of an inspector of elections appointed by the Board under Corporations Code section 7614. Furthermore, the Board, in its discretion, shall be entitled to adopt such additional reasonable procedures as it deems necessary or appropriate to assure fairness in the balloting process, such as requiring those Members who attend the meeting and desire to vote in person to surrender the written ballot form the Member received in the mail for a written ballot form containing the same information as the mailed ballot, but colored or formatted differently (in order to preclude duplicate voting).

(h) **Notification of Results of Balloting Process.** Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. In the case of an election of directors, the Board shall also notify those Members present at the meeting of the results of the election immediately upon conclusion of the balloting process. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements for valid action, the Board shall so notify the Members.

(i) **Revocation of Written Ballots.** If a Member who has cast a written ballot desires to change his or her vote, the Member may do so provided he or she so notifies the Secretary of the Association in writing prior to close of the balloting period and casts a new ballot within the balloting period.

(j) **Conduct of Informational Meetings.** Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a membership meeting to coincide with the culmination of the balloting period. In the case of director elections, the balloting period shall culminate with the annual meeting, or any special meeting, at which the election is scheduled to be held (see subparagraph (c)(i) above).

[4.7] ***Majority Vote Required.*** If a quorum is present, the affirmative vote of the majority of the voting power of Members represented at the meeting, entitled to vote and voting on any matter (other than the election of directors), shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

[4.8] ***Action by Unanimous Written Consent.*** Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. When an action is taken by written consent, the consent(s) shall be filed with the Association's minutes.

ARTICLE V
Membership Meetings

[5.1] ***Place of Meeting.*** Meetings of the Members shall be held at the offices of the Association within the Properties or at such other reasonable place within the State of California and at such time as may be designated by the Board in the notice of the meeting.

[5.2] ***Annual Meeting.*** There shall be an annual meeting of the Members in the fourth month of each year. The date, time, and location of the meeting shall be established by the Board and set forth in the notice of meeting sent to the Members. At the annual meeting, the Board of Directors shall present an annual report consisting of a balance sheet as of the end of the fiscal year, an operating statement and a statement of changes in financial position for the fiscal year to each Member. Any Member not present shall receive said report no later than one hundred-twenty (120) days after the close of the fiscal year.

At the annual meting the Members shall elect new directors to replace those whose terms have expired. All voting for directors shall be by secret written ballot, based on the principles of "cumulative voting" given the common meaning of that phrase. Each Member may cumulate votes and give one (1) candidate, or divide among any number of candidates a number of votes equal to the number of directors to be elected multiplied by the number of votes which such Member is entitled to cast pursuant to the Declaration and these Bylaws.

[5.3] ***Special Meetings.***

(a) **Persons Entitled To Call Special Meetings.** A majority of the Board or five (5%) percent or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Association.

(b) **Procedures for Calling Special Meetings Requested by Members.** If a special meeting is called by Members other than the Board of Directors, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of this section 3, that a meeting will be held, and the date, time, and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request.

If notice of the meeting is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

[5.4] ***Notice of Members' Meetings.***

(a) **Requirement That Notice Be Given.** Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Article V, Section 8.

(b) **Time Requirements for Notice.** The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this Section 4, not less than 10 nor more than 90 days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered, or certified mail, the notice shall be given not less than 20 days (nor more than 90 days) before the meeting.

(c) **Minimum Requirements Regarding Content of Notice.** The notice of any membership meeting shall specify the place, date, and hour of the meeting. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted, and no other business may in that case be transacted at the special meeting. In the case of a regular meeting, the notice shall also describe those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be

elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) **Specification of Certain Significant Actions.** If any action is proposed to be taken at any membership meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

(i) Removing a director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Article VII, Section 6 of these Bylaws;

(iii) Amending the Articles of Incorporation of this Association, these Bylaws or the Declaration in any manner requiring approval of the Members;

(iv) Approving a contract or transaction between the Association and one or more of its directors, or between the Association and any corporation, firm, or Association in which one or more of its directors has a material financial interest;

(v) Approving any change in the Association's assessments in a manner requiring membership approval under the Declaration; or

(vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) **Manner of Service.** Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic, or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

(f) **Affidavit of Mailing.** An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary or the Assistant Secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence of the giving of notice.

[5.5] ***Quorum Requirements.***

(a) **Quorum Requirements Generally.** The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Article IV, Section 6 of these Bylaws:

(i) Quorum for Votes on Assessment Increases and of Removal of Directors From Office. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval (see Article V of the Restated Declaration) and removal of any director from office, the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code section 1366 or comparable superseding statute. That quorum percentage is currently a Majority In Interest of Owners.

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be a majority of the Members eligible to vote, defined as twenty-five (25%) percent plus one, and represented in person or by proxy

(iii) Reduction in Quorum Percentage for Action on Other Matters. If the minimum quorum percentage specified in subparagraph (c)(ii), above, is not satisfied after a properly noticed meeting has been called and a reasonable time for Members to appear has lapsed, then the meeting may be adjourned to another time and/or place not more than 30 days after the initial meeting date (see Article V, Section 6, below) and at the reconvened meeting the quorum percentage shall be reduced to twelve and one-half (12.5%) percent plus one of the voting power of the Members. If this reconvened meeting is attended by less than one-third of the voting power of the members (but a quorum is present) the only matters upon which action may validly be taken are those matters the general nature of which were described in the notice of the meeting, subject in all instances to the limitations on voting at meetings imposed by Article IV, Section 4(a)].

(b) **Members Represented by Proxy.** Members present at a membership meeting in person or by proxy shall be counted toward satisfaction of the quorum requirements specified herein.

(c) **Effect of Departure of Members From Meeting.** The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

|5.6| ***Adjourned Meeting.***

(a) **Adjournment Generally.** Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than 45 days) by the vote of the majority of Members present at the meeting either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.

(b) **Notice Requirements for Adjourned Meetings.** When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date (see Article V, Section 8), is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

|5.7| ***Waiver of Notice or Consent by Absent Members.***

(a) **Waivers and Consents Generally.** If decisions are made or an action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting in person or by proxy consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in Article V, Section 4(d), in which case, the waiver of notice or consent must

state the general nature of such matter(s). All such waivers, consents, or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) **Effect of a Member's Attendance at a Meeting.** Attendance by a Member or his/her/its proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein pursuant to Article V, Section 4(d), if that objection is expressly made at the meeting.

[5.8] ***Record Dates for Member Notice; Voting and Giving Consents.***

(a) **Record Dates Established by the Board of Directors.** For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this section shall be as follows:

(i) Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than 90 nor less than 10 days before the date of the meeting;

(ii) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than 60 days before the date of the meeting;

(iii) Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall be no more than 60 days before the day on which the first written ballot is mailed or solicited; and

(iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than 60 days prior to the date of such other action.

(b) **Failure of Board to Fix a Record Date.** If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(ii) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

(v) "Record Date" Means as of Close of Business. For purposes of this subparagraph (b) a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

ARTICLE VI
Membership Rights

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

[6.1] ***Use and Enjoyment of Common Areas by Members.*** Each Member shall be entitled to the use and enjoyment of all Common Areas, roads, and Common Facilities within the Properties.

[6.2] ***Invitees and Guests.*** The invitees and guests of a Member shall have the right to use and enjoy the Common Areas, Common Facilities, and roads within the Properties, subject to the same obligations imposed on the Member to observe the rules, restrictions, and regulations of the Association as set forth in the Governing Documents.

[6.3] ***Association Rules and Regulations.*** The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations, and restrictions set forth herein, in the Declaration (as may from time-to-time be amended), and in the Association's published Rules and Regulations as promulgated by the Board from time to time. With the exception of the right of use of any roads, the Board shall have the right to impose monetary penalties or to suspend the use and enjoyment of any Common Area and Common Facilities for the failure of a Member to pay any assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her invitees or guests, pursuant to the governing documents, provided, however, that any such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in the Declaration.

[6.4] ***Waiver Not An Exemption.*** No member may exempt himself from liability for his/her contribution toward common or time share expenses by waiver of the use or enjoyment of any of the Common Areas.

[6.5] ***Insurance.*** Members shall not be prohibited from carrying other insurance for their own benefits for personal property and personal liability for damages or injuries, provided that all policies shall contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any Member.

ARTICLE VII
Board of Directors

[7.1] ***General Association Powers.*** Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Civil Code §1350-1373) and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. Subject to the limitations expressed in Article X, Section 1, the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

[7.2] ***Number and Qualification of Directors.*** The Board of Directors shall consist of five (5) persons who shall be Owners of a Time Share Interest whose memberships are in good standing with all Assessments current and are not subject to any suspension of membership rights. Only one Owner per Time Share Interest shall be eligible to serve on the Board at any time.

[7.3] ***Term of Office.*** Elections shall be held at the Annual Meetings during the years in which replacement directors are required. At each applicable annual meeting the Members shall elect Directors for a term of two years to replace those Directors whose terms are then expiring, with two Directors elected in odd-numbered years and three Directors elected in even-numbered years. An appointed director's term expires at the expiration of the replaced elected director's term. If any annual meeting is not held or the Directors are not elected at any annual meeting, they may be elected at any special meeting of Members held for that purpose. If any annual meeting or special meeting for the purpose of the election of Directors is not held, Directors may be elected by written ballot, pursuant to the provisions of Corporations Code §7513 et seq. The nomination procedures for the appointment of Directors by written ballot shall be as set forth in Section 2, below.

There shall be no limitation on the number of consecutive terms to which a director may be reelected.

[7.4] ***Nomination of Directors.*** Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) **Candidates Selected by Nomination Committee.** At least 90 days prior to the date of any election of directors, the President shall appoint a nominating committee to select qualified candidates for election to those positions on the Board of Directors held by directors whose terms of office are then expiring. The nominating committee shall consist of a chairperson who shall be a Member of the Board of Directors, and two or more Members of the Association who may or may not be Board Members. The nominating committee shall make its report at least 60 days before the date of the election, and the Secretary shall forward to each Member, with the notice of meeting required by Article V, Section 4 [§5.4], a list of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies on the Board to be filled.

(b) **Nominations From the Floor.** Any Member present in person or by proxy at a meeting to elect directors may place names in nomination.

(c) **Nomination Procedure.** A Member in good stranding can become a candidate for election to the Board by filing with the Secretary a nomination form in support of his or her candidacy.

(d) **Good Standing Requirement for Candidacy.** To be eligible for nomination and election to the Board, a candidate-Member must be certified by the Association Secretary that he or she is in good standing with the Association and is current in the payment of Assessments both at the time his or her name is placed in nomination and as of the election date.

[7.5] *Election of Directors.*

(a) **Directors Elected by Written Ballot.** The annual election of Directors shall be conducted by written ballot in accordance with Article IV, Section 6. Directors shall be elected in accordance with the written ballot procedures of that section to fill the number of positions on the Board then expiring.

(b) **Determination of Election Results and Succession to Office.** The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected as directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by lot.

[7.6] *Vacancies on Board of Directors.*

(a) **Vacancies Generally.** A vacancy or vacancies in the Board of Directors, except where created by removal of a Director by a majority vote of the Members, shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation, or removal of a director under paragraphs (c) and (d) below; (ii) an increase of the authorized number of directors; or (iii) the failure of the Members, at any meeting of Members at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) **Resignation of Directors.** Except as provided in this paragraph, any director may resign, and such resignation shall be effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) **Authority of Board to Remove Directors.** The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code sections 7233- 7236 (relating to the standards of conduct of directors); or (iv) fails to attend four (4) consecutive regular meetings of the Board of Directors that have been duly noticed in accordance with California law.

(d) **Authority of Members to Remove Directors.** Except as otherwise provided in subparagraphs(s) (c) and (e) of this Article VII, Section 6, a director may be removed from office, with or without cause, prior to expiration of his/her term only by the affirmative vote of a majority of the voting power of the Members represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or by written ballot conducted in accordance with Article IV, Section 6.

Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the President, Vice President, or Secretary of the Association and must carry the signatures of Members in good standing who represented at least 5 percent of the voting power of the membership. Such petition must set forth the reason(s) the petitioners are seeking the director's removal; the signature and Lot number(s) of each petitioner in his/her own handwriting; the name(s) of the sponsor(s) of the petition; and must fulfill all other requirements of law.

(ii) Within 20 days after receipt of such petition, the Board shall either call a special meeting or announce the procedures for conducting a written ballot of the Members to vote upon the requested recall. Such meeting or written ballot shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting or written ballot within 20 days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(iii) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(iv) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

(e) **Protection of Cumulative Voting Rights.** Unless the entire Board of Directors is removed from office, no director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all memberships entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

(f) **Removal by Court Action.** The County Superior Court may, in response to a suit filed by any director or the lesser of twenty (20) Members or five (5%) percent of the Members, remove any director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Association. The Association shall be made a party to any such action.

(g) **Filling Vacancies.** Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director, in which case the vacancy shall be filled by the affirmative vote of a majority of the Members represented in person or by proxy at a duly held meeting of the Members (at which a quorum is present/by written ballot in accordance with Article IV, Section 6. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors by an election at a duly held meeting of the Members or written ballot and shall require the approval of a majority of the voting power.

(h) **Reduction in Number of Directors.** No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

ARTICLE VIII
Board Meetings

[8.1] ***Place of Meetings.*** Regular and special meetings of the Board of Directors may be held at any place within the Properties that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the above provisions of this Section 1, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

[8.2] ***Annual Meeting of Directors.*** Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purposes of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

[8.3] ***Other Regular Meetings.*** Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. Ordinarily, regular meetings shall be conducted at least every three (3) months. However, regular meetings can be held as infrequently as every six (6) months if the Board's business does not justify more frequent meetings.

Notice of the time and place of regular meetings shall be posted in a prominent place within the Common Area, and shall be mailed to each Board member at least five (5) days prior to the time fixed for the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in Article VIII, Section 7.

[8.4] ***Special Meetings of the Board.***

(a) **Who May Call a Special Meeting.** Special meetings of the Board of Directors may be called for any purpose at any time by the President or any two (2) Directors.

(b) **Notice of Special Meetings.**

(i) Manner of Giving. Notice of the time and place of special meetings of the Board shall be given to each Director by one of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; (C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; or (D) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Article VIII, Section 7.

(ii) Time Requirements. Notices sent by first-class mail shall be deposited in a United States mailbox at least four days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.

(iii) Notice Contents. The notice shall state the time, place, and purpose of the meeting.

[8.5] *Attendance by Members.*

(a) **Meetings Generally Open to Members.** With the exception of executive sessions of the Board (see subparagraph (b), below) and any meetings conducted by conference telephone, all meetings of the Board shall be open to Members of the Association, provided, however, that non-director Members may participate in deliberations or discussions of the Board only when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established. The agenda for board meetings shall include a specific time for Member questions and comments. The chair shall be authorized to impose reasonable time limitations on Member comments.

(b) **Executive Sessions.** The Board, on the affirmative vote of a majority of the Directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss litigation in which the Association is or may become a party, personnel matters, or business of a similar nature in which maintenance of the confidentiality of Board deliberations is consistent with the best interests of the corporation and its members. Before adjourning into executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above.

[8.6] ***Quorum Requirements.*** A quorum for the transaction of business at any regular or special meeting of the Directors shall consist of a majority [at least 3 out of 5] members of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Article VIII, Section 8. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (a) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, by the Articles, or by law.

[8.7] ***Waiver of Notice.*** Any action taken at any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any Director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

[8.8] ***Adjournment.*** A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

[8.9] ***Action Without a Meeting.*** Any action required or permitted to be taken by the Board of Directors 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 of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

[8.10] ***Compensation.*** Directors, Officers, and Members of Committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX
Duties and Powers of the Board

[9.1] ***Specific Powers.*** Without prejudice to the general powers of the Board of Directors set forth in article VII. section 1. the Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all Officers of the Association, the General Manager of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation, and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) Adopt and establish Rules and Regulations subject to the provisions of the Declaration, governing the use of the Common Areas, the Common Facilities and roads within the Properties, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such Rules and Regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Areas or Common Facilities; provided notice and a hearing are provided as may be more particularly set forth in the Declaration.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Time Share Units within the Properties and the Common Areas, Common Facilities, and the roads within the Properties.

(f) Contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the Association.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Common Areas and other portions of the Properties which the Association is obligated to maintain.

(h) Pay all taxes, special assessments and other assessments, and charges that are or would become a lien on any portion of the Common Areas.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Properties that have been damaged or destroyed and that are to be rebuilt by the Association.

(j) Delegate its duties and powers hereunder to the Officers of the Association or to committees established by the Board, subject to the limitations expressed in Article X, Section 1.

(k) Levy and collect Assessments from the Members of the Association in accordance with the Declaration and establish and collect reasonable use charges for any or all of the recreational Common Facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

(l) Perform all acts required of the Board under the Declaration.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Article XII, Section 5.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board and prescribe rules under which said nominating committee is to act, as described in Article VII. Section 4.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with Article X, including members of the architectural committee described and constituted in accordance with the Declaration.

(p) Fill vacancies on the Board of Directors or in any committee, except a vacancy created by the removal of a Board Member.

(q) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(r) Bring and defend actions on behalf of more than one Member or the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements as may be more fully set forth in the Declaration.

(s) Any other acts or performances as may be more fully set forth in the Declaration.

[9.2] ***Limitations on Powers.*** Without the vote or written assent of a majority of the voting power of the Members, the Board of Directors shall not take any of the following actions:

(a) Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Association for a term longer than one year. This restriction shall not apply to (i) FHA- or VA-approved management contracts; (ii) public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty or liability insurance policies not to exceed three years' duration, provided that the policies provide for short-rate cancellation by the insured; (iv) lease agreements for laundry room fixtures and equipment not to exceed five years' duration; (v) agreements for cable television services and equipment or satellite dish television services and equipment not to exceed five years' duration; or (vi) agreements for sale or lease of burglar alarm

and fire alarm equipment, installation and services not to exceed five years' duration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five (5%) percent of the budgeted gross expenses of the Association for that fiscal year, provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Incur aggregate expenditures for capital improvements to any Unit in any fiscal year in excess of five (5%) percent of the budgeted gross expenses of the Association for that fiscal year allocable to such Unit without the prior written consent of a majority in interest of the Time Share Owners provided, however, that the Association shall have the right to replace all or a portion of the Common Furnishings from time to time as it deems appropriate without the foregoing consent subject to the restrictions exceeding available reserves.

(d) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five (5%) percent of the budgeted gross expenses of the Association for that year

(e) Sell during any fiscal year any portion of the common Furnishings or other property appertaining exclusively to any Unit having an aggregate fair market value greater than five (5%) percent of the budgeted gross expenses of the Time Sharing program allocable to such Unit for that fiscal year without the prior written consent of a majority in interest of the members, provided, however, that the Association shall have the right to sell and replace all or a portion of the Common Furnishings from time to time as it deems appropriate without the foregoing consent.

(f) Pay compensation to members of the Board of Directors or officers of the Association; provided that Directors, and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

(g) Fill any vacancy on the Board of Directors created by the removal of a Director.

(h) Any action to impose a special assessment or to increase the regular assessment under circumstances requiring Member approval under Article V of the Declaration.

(i) Any action to amend these Bylaws, the Articles of Incorporation, or the Declaration, except for any amendments permitted by Board action alone pursuant to Article XIII, Section 5(a), below.

ARTICLE X
Committees

|10.1| ***Committees of Directors.*** In addition to the nominating committee appointed and constituted pursuant to Article VII, Section 4(a) [§7.4(a)] of these Bylaws and the Architectural Committee appointed and constituted pursuant to the Declaration, the Board may, by resolution adopted by a majority of the Directors then in office, designate one or more committees, each consisting of two or more Members (who may also be Directors), to serve at the pleasure of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or on any committee that has been delegated any

authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or the members of those committees.

(f) Expend Association funds to support a nominee for Director after there are more people nominated for Director than can be elected.

(g) Approve any transaction (i) to which the Association is a party and one or more Directors have a material financial interest; or (ii) between the Association and one or more of its Directors or between the Association or any person in which one or more of its Directors have a material financial interest.

[10.2] ***Meetings and Actions of Committees.*** Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article IX of these Bylaws, concerning meetings of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any committee.

[10.3] ***Effect of Committee Actions.*** Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a committee, all actions of any committee shall be considered advisory to the Board and shall be scheduled on the agenda of the Board meeting next following the committee's action or decision for affirmation, rescission, or modification, as the Board in its discretion deems appropriate.

ARTICLE XI
Officers

[11.1] ***Officers.*** The Officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Association may also have, at the discretion of the Board, an Assistant Secretary, an Assistant Treasurer, or such other officers as may be appointed in accordance with the provisions of Section 3. One person may hold two or more offices, except that the Secretary may not serve concurrently as President.

[11.2] ***Election of Officers.*** The Officers of the Association, except such officers as may be appointed in accordance with the provisions of Sections 3 and 5, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of Directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be selected by a subsequent majority vote of the Directors.

[11.3] ***Subordinate Officers.*** The Board may appoint, and may empower the President to appoint, 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 are provided in the Bylaws and as the Board may from time to time determine.

[11.4] ***Removal of Officers.*** Any Officer may be removed by the Board with or without cause, at any regular or special meeting.

[11.5] ***Resignation of Officers.*** Any Officer may resign at any time by giving written notice to the Board, or to the President, or to the Secretary. Any 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, acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the Officer is a party.

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

[11.7] ***President.*** The President shall be elected by the Board from among the Directors. The President shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and Officers of the Association. The President shall preside at all Director and Membership, and shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

[11.8] ***Vice President.*** The Vice President shall be elected by the Board from among the Directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. He/she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

[11.9] ***Secretary.*** The Secretary shall be elected by the Board from among the Directors. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. The Secretary shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law, and shall keep the seal of the Association in safe custody, and have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

[11.10] ***Treasurer.*** The Treasurer shall be elected by the Board from among the Directors. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any Director or Member. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of transactions made as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his/her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

[11.11] ***Public Accountant.*** The Association shall annually appoint a public accountant or accounting firm as auditor, who shall not be an officer of the Association nor own any interest in any office unit, to audit the books and financial records of the Association.

ARTICLE XII
Member Assessment Obligations and Association Finances

[12.1] ***Description of Assessments to Which Owners Are Subject.*** Owners of a Time Share Interest are subject to Regular (Basic), Special, and Special Individual Assessments as described in Article V of the Declaration.

[12.2] ***Checks.*** All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other Officer or Officers or such other person or persons as the Board of Directors may from time to time designate by Resolution of the Board of Directors or, in the absence of any such resolution applicable to such instrument, by the President or Vice-President or the Secretary/Treasurer. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of two Directors or an Officer (who is not also a Director) and a Director.

[12.3] ***Operating Account.*** There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Properties.

[12.4] ***Other Accounts.*** The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as set forth in the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

[12.5] ***Budgets and Financial Statements.*** The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Association:

(a) **Budget.** A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year:

(i) Estimated revenue and expenses on an accrual basis:

(ii) The amount of the total cash reserves of the Association currently set aside for the future repair or replacement of, or addition to, those major components of the Common Areas and Common Facilities which the Association is obligated to maintain and for contingencies:

(iii) An estimate of the current replacement costs of, and the estimated remaining useful life of, and the methods of funding used to defray the future repair or replacement of, or additions to, those major components of the Common Areas and Common Facilities which the Association is obligated to maintain;

(iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the costs of repair, replacement or additions to major components of the Common Areas and Common Facilities which the Association is obligated to maintain.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, upon request, to any Member at the Association's expense. If a Member requests a copy of the complete budget, the Association shall mail the material, via first-class mail, within five days. The notice required hereunder shall be presented on the front page of the summary of the budget in at least 10-point bold type.

(b) **Year-End Report.** Within 120 days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members:

(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 advising Members of the place where the names and addresses of the current Members are located; and

(v) Any information required to be reported under Corporations Code §8322 requiring the disclosure of certain transactions in excess of $50,000 per year between the Association and any Director or Officer of the Association and indemnifications and advances to Officers or Directors in excess of $10,000 per year.

A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds $75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized Officer of the Association that the statement was prepared without an audit from the books and records of the Association.

(c) **Annual Statement Regarding Delinquency/Foreclosure Policy.** In addition to financial statements, the Board of Directors shall annually distribute within 60 days prior to the beginning of the fiscal year, a statement describing 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' Lots.

(d) **Review of Accounts.** On no less than a quarterly basis, the Board of Directors shall:

(i) Review a current reconciliation of the Association's operating accounts;

(ii) Review a current reconciliation of the Association's reserve accounts;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and

(v) Review the Association's income and expense statement for the operating and reserve accounts.

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

ARTICLE XIII
Miscellaneous

[13.1] ***Inspection of Books and Records.***

(a) **Member Inspection Rights.** All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board and the membership list of the Association shall at all times, during reasonable business hours, be subject to the inspection of any Member or his or her duly appointed representative at the offices of the Association for any purpose reasonably related to the Member's interest as such. Member's rights of inspection shall be exercisable on ten (10) days' written demand on the Association, which demand shall state the purpose for which the inspection rights are requested. In the case of the demands to inspect the Association's membership list, a Member's inspection rights shall be subject to the Association's right to offer a reasonable alternative to inspection within ten days after receiving the Member's written demand (as more particularly set forth in Corporations Code sections 8330-8338).

(b) **Director Inspection Rights.** Every Director shall have an absolute right at any reasonable time to inspect all books, records, documents, and minutes of the Association and the physical properties owned by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

(c) **Adoption of Reasonable Inspection Rules.** The Board of Directors may establish reasonable rules with respect to (i) notice of inspection, (ii) hours and days of the week when inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by the Member.

[13.2] ***General Manager.*** The Board may, from time to time, employ the services of a Manager to manage the affairs of the Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the Manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Declaration, provided that the General Manager shall at all times remain subject to the general control of the Board.

[13.3] ***Corporate Seal.*** The Association shall have a seal in circular form having within its circumference the name of the Association, and such other items as may be required by the Laws of California.

[13.4] ***Robert's Rules of Order.*** In the event of a dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

[13.5] ***Amendment or Repeal of Bylaws by Directors and Members.***

(a) **Proposal for Amendment.** An amendment of these Bylaws may be proposed at any regular meeting of the Board of Directors by a majority of such Directors (or it may be proposed by written petition of thirty (30%) percent or more of the Members) presented at a regular meeting

of the Board of Directors. Such proposed amendments shall be sent by ***registered or certified*** mail to each Member, and shall be voted upon by the Members by secret ballot at an election to be set by the Board of Directors no more than one (1) month after such amendment is proposed.

(b) **Amendment by Directors.** Except as provided in this subparagraph (a), these Bylaws may be adopted, amended, or repealed ("changed") by the vote of a majority of all Directors. The right of the Directors to change these Bylaws shall not apply to any amendment that:

(i) Changes the number of Directors (Corporations Code section 7151(b));

(ii) Changes any provision pertaining to Directors who hold office by designation (Corporations Code section 7220(d));

(iii) Changes any provision pertaining to the filling of vacancies on the Board which must, by the terms of these Bylaws, be filled by the vote of the Members;

(iv) Changes the quorum requirements for membership meetings (Corporations Code section 7512);

(v) Change the Bylaws provisions governing the use of proxies (Corporations Code section 7613);

(vi) Eliminates cumulative voting;

(vii) Materially and adversely affects the rights of the Members as to voting, dissolution, redemption or transfer; (viii) Increases or decreases the number of Members authorized in total or for any class;

(ix) Effects an exchange, reclassification, or cancellation of all or part of the memberships; or

(x) Authorizes a new class of membership.

(c) **Amendment by the Members.** Except as provided in subparagraph (a), above, these Bylaws may by adopted, amended, or repealed only by the affirmative vote of a Majority in Interest of Owners represented and voting at a duly held meeting at which a quorum is present or by written ballot conducted in accordance with Article IV, Section 6.

If any provision of these Bylaws requires the vote of a larger proportion or all of the Members, such provisions may not be altered, amended, or repealed except by such greater vote, unless otherwise specifically provided herein. Any amendment to these Bylaws shall become effective immediately upon approval by the Members. The Secretary of the Association shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the Association's corporate records.

[13.6] **Notice Requirements.** Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered 72 hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Association or the Board of Directors, at the principal office of the Association as designated from time to time by written notice to the Members; if to a Director, at the address from time to time given by such Director to the Secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the Secretary for the purpose of service of such notice.

[13.7] **Indemnification.**

(a) **Indemnification of Association.** Each Member shall be liable to the Association for any damage to the Common Areas caused by the negligence or willful misconduct of the Member, his/her/its family, guests, invitees or lessees, to the extent that the damage shall not be covered by insurance. Each Member shall indemnify, hold harmless, and pay any costs of defense of each other Member from claims for personal injury or property damage occurring within any Unit, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this section.

(b) **Indemnification by Association of Directors and Officers, Employees, and Other Agents.** To the fullest extent permitted by law, the Association shall indemnify its Directors, Officers, employees, and other agents described in Corporations Code Section 7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Association, by reason of the fact that such person is or was a person described by that Section. "Expenses," as used in this section, shall have the same meaning as in Corporations Code Section 7237(a).

(c) **Approval of Indemnity by Association.** On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code Section 7237(e), whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that meeting, the Members shall determine under Corporations Code Section 7237(e) whether the applicable standard of conduct set forth in Corporations Code Section 7237(b) or Section 7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

(d) **Advancement of Expenses.** To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a Director/Officer/employee/agent seeking indemnification under Paragraphs (b) and (c) of this Section 7 in defending any proceeding covered by those sections shall be advanced by the Association before final disposition of the proceeding, on receipt by the Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Association for those expenses.

(e) **Insurance.** The Association shall have the power to purchase and maintain insurance on behalf of its Directors, Officers, employees and/or other agents against other liability asserted against or incurred by any Director, Officer, employee and/or other agent in such capacity or arising out of the Directors, Officers, employees and/or other agents status as such.

[13.8] ***Construction and Definitions.*** Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

[13.9] ***Invalidity Not Impairing.*** The invalidity of any part of these Bylaws shall not affect or impair in any manner the validity, enforceability, or effect the balance of these Bylaws.

[13.10] ***Failure to Enforce Not a Waiver.*** No restriction, condition, obligation, or provision contained in these Bylaws shall be considered deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches thereof which may occur.

[13.11] ***Conflicts.*** In any case that any portion of these Bylaws conflict with the provisions of any statutes of the State of California or of the Declaration (as may from time to time be amended), the provisions of such statute or of the Declaration, as the case may be, shall control.

IN WITNESS WHEREOF, the undersigned Directors of Casitas del Monte Condominium Owners' Association has hereunto approved and executed these Restated Bylaws on this ___ day of _____, 199___.

_____
President

_____
Vice President

_____
Secretary

CERTIFICATE OF SECRETARY

The undersigned, Secretary of the corporation known as Casitas del Monte Condominium Owners' Association, does hereby certify that the above and foregoing Restated Bylaws consisting of 28 pages, were duly adopted by written ballot of the Members of said Association on the _ _ day of _____, 199____, and that they now constitute said Bylaws.

By:_____
, Secretary

_____
(Printed Name)