

RESTATED BYLAWS
OF
PALM DESERT COUNTRY CLUB ASSOCIATION

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RESTATED BYLAWS
OF
PALM DESERT COUNTRY CLUB ASSOCIATION

ARTICLE 1

RECITALS AND DEFINITIONS

Section 1. Name of Association. The name of the Association is PALM CITY ASSOCIATION doing business as the PALM DESERT COUNTRY CLUB ASSOCIATION, a California nonprofit mutual benefit corporation (hereinafter referred to as the “Association”). The Association is organized under the California Non Profit Mutual Benefit Corporation Law.

Section 2. Principal Office. The principal office for the transaction of the business of the Association is hereby fixed and located within the Development or at other such place within Riverside County as the Board may from time to time designate by resolution. The Board is hereby granted full power and authority to change said principal office from one location to another within the County of Riverside.

Section 3. Definitions.

(A) *City.* The term “City” means the City of Palm Desert, State of California.

(B) *Declaration.* The term “Declaration” means all restrictions, covenants, terms and conditions set forth in the First Restated Declaration of Covenants, Conditions and Restrictions recorded on December 19th, 1994, with instrument number 470457 of the Official Records of Riverside County, as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder’s Office.

(C) *Majority of a Quorum.* “Majority of a Quorum” means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in Article V, Section 5 below.

(D) *Office of the Recorder.* The term “Office of the Recorder” means the Office of the County Recorder, County of Riverside, State of California.

(E) *Person*. The term "Person" means and includes any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

(F) *Voting Power*. The term "Voting Power" means those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time any determination of voting power is made.

(G) *Definitions Incorporated by Reference*. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE II MEMBERSHIP

Section 1. Automatic Membership and Voting Power.

Every person or entity who is an Owner of a Lot against which assessments are levied shall be a Member of the Association as provided in the Declaration. Membership is appurtenant to and may not be separated from ownership of any Lot which gives rise to such Membership in the Association.

Section 2. Term of Membership.

Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under Section 1 above. Upon the sale, conveyance or other transfer of an Owner's Lot, the Owner's membership interest appurtenant to his or her Lot shall automatically transfer to the new Owner(s) of that Lot.

Section 3. Multiple Ownership of Lots.

Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of these persons 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. The Secretary of the Association shall be notified in writing of the Owner designated by his or her Co-Owners as having the sole right to vote the membership on their 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 Lot in question, provided that if the multiple Owners of a Lot attempt to vote the membership attributable to said Lot in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to that Lot.

Section 4. Right to Use Common Area.

Unless otherwise provided in the Declaration and subject to the Rules and Regulations, each Member of the Association, his or her immediate family Members, residents, guests and/or tenants shall have the right to use and enjoy the Common Area.

Section 5. Suspension of Member's Rights.

The Membership's rights and privileges, together with the voting rights of any Member of the Association, may be suspended by the Board for any period of time during which such Member is determined by the Board to be delinquent in assessments, in violation of the Declaration, or has not complied with the obligations imposed by these Bylaws or the Rules and Regulations.

No suspension or monetary penalty shall be effective until the Board gives such Member notice and the opportunity of a hearing before the Board which satisfies the minimum requirements of Section 7341 of the California Corporations Code or successor statute. No suspension shall affect the rights of a Member to access his or her Lot.

Section 6. Furnishing Evidence of Membership.

A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he or she is qualified to be a Member under Article II, 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) or a currently effective policy of title insurance. 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 III, Section 3.

**ARTICLE III
MEMBERSHIP VOTING**

Section 1. Single Class of Membership.

The Association shall have one class of voting membership.

Section 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 Lot owned by such Member. Single memberships in which two or more persons have an individual interest shall be voted as provided in Article II, Section 3 of these Bylaws.

Section 3. Eligibility to Vote.

Only Members in good standing shall be entitled to vote on any issue of 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 Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. In the event an Owner owns more than one Lot, the delinquency with respect to one Lot shall not affect the Owner's voting rights with respect to other Lots owned for which assessments have been timely paid. A Member's good standing shall be determined as of the record date established in accordance with Article IV, Section 10. 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.

Section 4. Manner of Casting Votes.

(A) *Voting at Membership Meetings.* All Member voting may be conducted by written ballot. 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 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 9; 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) above must be approved by the affirmative vote of at least five percent (5%) of the voting power of the Members.

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

(B) *Voting by Written Ballot.* In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue other than the election of Directors in accordance with this Article III, Section 4.

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

(D) *Cumulative Voting.* Each Member entitled to vote at any election of Directors where more than two (2) positions are to be filled shall have the right to cumulate his or her 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 or her vote 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.

Section 5. Proxies.

Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy 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 shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(A) *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 the preceding paragraph of this Section 5. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by:

(i) a written notice of revocation delivered to the Secretary;

(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 Residence as provided in Article II, Section 2.

(C) *Validity of Proxies.* 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) Filing 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 Declarations;
- (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 other 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 ten (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 of 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 Members 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 III, Section 4.

(F) *Proxy Rules for Memberships Held by More Than One Person.* Where two (2) 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 such proxy shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

(G) *No Proxy In Connection With Written Ballots.* Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with Article III, Section 4.

(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) a written notice of revocation delivered to the Secretary; 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 Residence as provided in Article II, Section 2.

ARTICLE IV MEMBERSHIP MEETINGS

Section 1. Place of Meeting.

All meetings of Members shall be held at the office of the Association within the Properties or at such other reasonable place within the County and at such time as may be designated by the Board in the notice of the meeting.

Section 2. Annual Meetings of Members.

The annual meeting of Members shall be held once a year during the month of January or as determined by the Board of Directors.

Section 3. Special Meetings.

Special meetings of Members may be called at any time by the President or by a majority of a quorum of the Board, and shall be called by the Board upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) or more of the total voting power of the Members of the Association.

(A) *Notice of Special Meeting.* Notice of special meetings shall be given in the same manner as for annual meetings of Members. Notices of special meetings shall specify the place, day and hour of the meeting and the general nature of the business to be transacted.

(B) *Procedures for Calling Special Meetings Requested by Members.* If a special meeting is called by Members other than the Board of Directors or President, 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 President.

Section 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 IV, Section 10.

(B) *Time Requirements for Notice.* All notices shall be mailed not less than ten (10) days and not more than ninety (90) days before the date of 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 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, 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) *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.

Section 5. Quorum

The presence in person or by proxy of a majority of the voting power entitled to vote at any meeting of Members shall constitute a quorum for the transaction of business. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment. Once a quorum is established, the meeting may proceed regardless of whether there is a withdrawal of voting power which leaves less than a full quorum.

(A) *Reduced Quorum.* In the event any meeting of Members cannot be held because a quorum is not present, either in person or by proxy, the meeting may be adjourned for a time not less than five (5) days nor more than thirty (30) days following the time the original meeting was called, at which meeting the quorum requirement shall be twenty-five percent (25%) of the voting power of the Membership.

(B) *Meeting Conducted Under Reduced Quorum.* Where a meeting is conducted with a quorum of twenty-five percent (25%) of the voting power of the Membership, the only matters that may be voted upon are those matters included in the original meeting notice published prior to the adjourned meeting.

Section 6. Adjourned Meeting and Notice Thereof.

Any Membership meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power present, but, in the absence of a quorum, no other business may be transacted at any such meeting.

(A) *Notice of Adjourned Meeting.* When any Membership meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. If adjourned for less than thirty (30) days, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting other than by an announcement at the meeting at which adjournment is taken.

Section 7. 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.

Section 8. Waiver of Notice or Consent by Absent Members.

(A) 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:

1. a written waiver of notice;
2. a consent to holding the meeting; or
3. 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 of the matters.

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's 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 or her 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 if that objection is expressly made at the meeting.

Section 9. Action Without a Meeting.

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

(B) Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(C) All solicited ballots shall indicate the number of responses needed to meet the quorum requirement and with respect to ballots other than for the election of Directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

(D) Unless otherwise provided in the Articles or these Bylaws, a written ballot may not be revoked.

Section 10. Record Date.

(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:

1. *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;
2. *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.
3. *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 date on which the first written ballot is mailed or solicited; and
4. *Record Date for Other Lawful Action.* In the case of determining Members entitled to exercise any rights with 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:

1. *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.

2. *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.

3. *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. In the event prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

4. *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 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.

5. *"Record Date" Means as of Close of Business.* For purposes of this subparagraph 5 a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

Section 11. Minutes, Presumption of Notice.

Minutes or a similar record of the proceedings of meetings of Members, when signed by the President and the Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice was properly given shall be prima facie evidence that notice was given.

ARTICLE V MEMBERSHIP RIGHTS

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

Section 1. Use and Enjoyment of Common Areas by Members and Family.

Each Member and the members of his or her family who also reside in the Member's Residence shall be entitled to the use and enjoyment of the Common Areas and Common facilities located within the Properties.

Section 2. Tenants and Lessees.

Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Residence. Such assignment shall be in writing and shall be effective only so long as said tenant is residing in said Residence and is in compliance with the Declaration and the Association's Rules in effect at that time. At all times the Owner shall remain responsible for his or her lessee(s)' or tenant(s)' compliance with the governing documents.

Section 3. Guests.

The guests of a Member shall have the right to use and enjoy the Common Areas, Common Facilities and roads within the Properties. The Board may in its discretion require the guest to be in the supervision and company of the Member while using such facilities. Any such guest shall be subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Association as set forth in the governing documents. The Board may establish a charge to guests for use of the Common Area and/or Common Facilities.

Section 4. 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, 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 tenants 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 Article IV, Section 2 of the Declaration.

**ARTICLE VI
BOARD OF DIRECTORS**

Section 1. Powers and Duties.

The Board shall manage the affairs of the Association and shall have all the powers and duties necessary for the administration of the Project subject only to such limitations on the exercise of such powers as are set forth in the Declaration, Articles of Incorporation and these Bylaws.

The Board shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under the Declaration, the Articles of Incorporation and these Bylaws, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall have the power to and be responsible for, the following, in a way of explanation, but not limitation:

(A) *Management of Business.* To conduct, manage and control the affairs and business of the Association, and to make such Rules and Regulations consistent with California law, the Articles of Incorporation, the Declaration and these Bylaws as it deems best, including Rules and Regulations for the operation of the Common Area facilities owned or controlled by the Association.

(B) *Enforcement and Notice of Hearing.* To commence and maintain actions for damages and/or restrain and enjoin any actual or threatened breach of any provision(s) of the governing documents or any decisions or resolutions of the Board by an Owner and to enforce by injunction or otherwise all of these provisions. However, before a decision to take such action is reached by the Board, the aggrieved Owner shall be provided with notice and an opportunity to be heard by the Board.

(C) *Suspension of Rights and Privileges.* To temporarily suspend a Member's rights and privileges and/or assess monetary penalties against any Member or other person entitled to exercise such rights or privileges for any violation of the governing documents. However, before a decision to impose such a suspension or monetary penalties is reached by the Board, the aggrieved Member shall be provided with fifteen (15) days notice of such action and an opportunity to be heard by the Board, orally or in writing, not less than five (5) days before the date of the suspension of privileges or imposition of monetary penalties is to take effect. For the purpose of this Subsection, notice shall be given by any method reasonably calculated to provide actual notice.

(D) *Delegation of Powers; Professional Management.* To delegate the management of the activities of the Association to any person or persons, management company or committee, however imposed, provided that the affairs of the Association shall be managed and all Association powers shall be exercised under the ultimate discretion of the Board.

(E) *Adopt and Establish Rules and Regulation.* To adopt, amend and repeal as it deems reasonable, the Association's Rules and Regulations for the use of the Common Area by all Owners, their family members, guests, tenants and/or employees. However, the Association's Rules shall not be inconsistent with or materially alter any provision of the Association's Governing Documents. A copy of the Association's Rules as adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner.

1. In case of any conflict between any of the Association's Rules and any other provisions of the Project's Documents, the provision shall be interpreted in the following order of priority: CC&Rs, Bylaws, Articles of Incorporation, Rules and Regulations.

2. Any duly adopted amendment to the Association's Rules shall become effective seventy-two (72) hours after delivery of such amendment to the Membership, or at such later date as the Board may deem appropriate. For the purpose of this Section, the placing of a copy of the amendment in a sealed envelope with postage fully paid and placed in the United States mail shall be deemed delivered.

(F) Right of Entry and Enforcement. Upon five (5) days' written notice (except in the case of emergencies, in which case no prior notice need be given) and during reasonable hours, the Board or its authorized representative shall have the right to enter onto any Lot for the purpose of construction, maintenance or emergency repair of the Lot or improvements located within said Lot for the benefit of the Lot and Owners.

In the event that the Owner of a Lot fails to maintain and repair any portion of his/her Lot as required by the Declaration, the Board shall have the right, after Notice and Hearing before the Board by the Owner regarding any allegation of failure to maintain or repair, to enter onto any Lot to undertake such maintenance or repair. Such persons shall not be deemed guilty of trespass by reason of any entry on any Lot pursuant to the provisions hereof. The cost of such maintenance or repair shall be specially assessed against the Owner in accordance with the Declaration.

(G) Enforcement of Governing Documents. To enforce the provisions of the Declaration, the Articles, these Bylaws, the Rules and Regulations and the provisions of any agreement to which the Association is a party. To prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area or the property owned by the Association, and any action in which all or substantially all of the Owners have an interest.

(H) Selection of Officers. To select and remove all the Officers, agents and employees of the Association, prescribe such powers and duties for them as may be consistent with law, the Articles, these Bylaws and the Declaration and, subject to the provisions of Article VIII of these Bylaws, to fix their composition.

(I) Location of Office and Membership Meetings. To change the principal office for the transaction of the business of the Association from one location to another within the same County and to designate any place within reasonable proximity to the Project, in the sole discretion of the Board, within the County of Riverside, State of California, for the holding of any Membership meeting.

(J) *Insurance Contracts.* 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.

(K) *Cable Contracts.* Contract and pay for a cable television system for the benefit of the Residents of the Property, by bulk-billed service agreement or otherwise.

(L) *Maintenance and Repair Contracts.* Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor and service 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.

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

(N) *Financial Statements.* 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 IX, Section 6.

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

(P) *Bank Accounts.* Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(Q) *Litigation.* 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 set forth in Article IV, Section 2 of the Declaration.

Section 2. Duties of the Association.

In addition to the powers delegated to it by its Articles or the Bylaws, and without limiting their generality, the Association, acting by and through the Board, has the obligation to conduct all business affairs of common interest for all Owners and to perform each of the duties set forth below:

(A) *Operation and Maintenance of Common Area.* To manage, operate, maintain, and repair the Common Area and any facilities, improvements, and landscaping located thereon, and the restoration and replacement of any or all of the structures or improvements which are part of the Common Area, in a first-class condition and in a good state of repair as may be determined by the board.

(B) *Taxes and Assessment.* To pay all real and personal property taxes and assessments and all other taxes levied against the Association. Such taxes and assessments may be contested or compromised by the Association; provided, however, that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

(C) *Water and Other Utilities.* To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the Common Area.

(D) *Insurance.* To contract and pay for fire, casualty, liability, fidelity and other insurance adequately insuring the Association and Owners with respect to the Common Area and the affairs of the Association. Owners shall be obligated to obtain and maintain adequate insurance for their personal property and maintenance items which are the Owner's responsibility.

(E) *Assessments.* To establish, fix, and levy assessments against the Owners and to enforce payment of such assessments, in accordance with the provisions of the Declaration.

(F) *Budget and Financial Statements.* Preparation of budgets and financial statements for the Association as provided in these Bylaws.

Section 3. Limitations on Authority of Board.

The Board shall not take any of the actions listed below except with the vote or written consent of a majority of the voting power of the Members of the Association, or such other percentage of voting power as set forth below:

(A) *Borrowing Money.* Borrow money and incur indebtedness for the purposes of the Association, except the Board shall not borrow money during any fiscal year in excess of the aggregate sum of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(B) *Capital Expenditures Acquisitions.* Make capital expenditures for and on behalf of the Association (including acquisition, purchase or improvement of real property) and sell property of the Association without the approval of at least seventy-five (75%)

percent of the Members. No single capital expenditure or sale of property may be made during any fiscal year of the Association in excess of or having a fair market value in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Capital expenditures shall mean those other than for items which the Association is obligated to maintain, repair and replace.

(C) *Limitation on Sales of Common Area.* Sell during any fiscal year Common area property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(D) *Limitation on Compensation.* Neither the Directors nor the Officers of the Association shall receive any monetary compensation for their services performed in the conduct of the business of the Association. Notwithstanding the foregoing, the Board of Directors shall have the power to reimburse any Director, Officer or Member of the Association for reasonable expenses incurred in carrying on the business of the Association.

(E) *Grant of Easements.* The Association may not grant easements to owners with a value of more than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

Section 4. Limit on Third Person Contracts.

The Board shall not, without obtaining the consent of the Members as set forth above, enter into contract with third persons wherein the third person will furnish goods or services for the Common Area of the Association for a term longer than one (1) year with the following exceptions:

(A) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(B) A prepaid casualty and/or liability insurance policy not to exceed three (3) years duration; provided that the policy permits for short-rate cancellation by the insured; and

(C) Payment of any taxes and governmental special assessments which are and could become a lien on the Common Area or any portion thereof.

(D) Contract(s) for Cable Television.

Section 5. Number and Qualifications of Directors.

The Board shall consist of nine (9) Directors until changed by amendment to this Section of these Bylaws.

(A) Tenants residing within the Association for at least one (1) consecutive year and Members of the Association are eligible to serve on the Board of Directors.

(B) Directors must be Owners/eligible tenants whose principal place of residence is within the Property, and whose Memberships are in good standing with all assessments current and are not subject to any suspension of membership rights.

(C) Only one Owner/eligible tenant per Residence shall be eligible to serve on the Board at any time.

Section 6. Election and Term of Office.

The terms of the Directors shall be term-staggered so that three (3) Directors shall be elected each year.

(A) Each Director shall serve a three (3) year term. Appointed Directors shall serve the remaining term of a vacant position.

(B) Directors must be Owners/eligible tenants whose principal place of residence is within the Property, and whose Memberships are in good standing with all assessments current and are not subject to any suspension of membership rights.

(C) Only one Owner/eligible tenant per Residence shall be eligible to serve on the Board at any time.

Section 7. Nomination Procedures.

Nomination for election to the Board of Directors may be made by a Nominating Committee, personal declarations of candidacy or any other Member.

(A) *Nominating Committee.* If the Board chooses to appoint a Nominating Committee, it shall consist of three (3) or more Members appointed by the Board. The Nominating Committee may nominate any number of qualified individuals, but not less than the number of Directors to be elected. Nominations shall also be allowed from the floor at the meeting.

(B) *Limitation of 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. The failure to comply with this Section shall in no way invalidate the election of other candidates who were in compliance with this Section.

Section 8. Election Procedures.

The annual election of Directors shall be conducted by secret written ballot. As to Directors elected by Members, reasonable election procedures providing the nature, size and operations of the Association shall be available to the Members. The procedures shall include;

- (A) A reasonable opportunity for nominee to communicate to the Members the nominee's qualifications and the reasons for the candidacy;
- (B) A reasonable opportunity for all nominees to solicit votes; and
- (C) A reasonable opportunity for all Members to choose among the nominees.

Section 9. Removal of Directors.

Any Director may be removed from the Board, with or without cause, by a majority of the voting power of the Association. However, unless the entire Board is removed from office by the vote of Members, no individual Director shall be removed prior to the expiration of his or her term of office if the number of votes cast against his or her removal or not consenting in writing to his or her removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of Directors were then being elected.

Section 10. Vacancies.

A vacancy shall be deemed to exist in the case of the absence of a Director from three (3) consecutive regular meetings, death, resignation, removal of any Director, where the Members increase the authorized number of Directors, but fail to elect the additional Directors at the meeting at which such increase is authorized, or where the Members fail at any time to elect the full number of authorized Directors.

(A) *Board Members Delinquent In Assessments.* A vacancy shall also be deemed to exist in the case of a Director whose Lot(s) is/are more than ninety (90) days delinquent in payment of their assessment(s) obligations to the Association. Prior to declaring a vacancy of a Director, the remaining Board shall send a letter giving said Director fifteen (15) days to bring his or her account(s) current. This letter shall be sent both certified and regular mail.

(B) *Right of Board to fill Vacancies.* Vacancies on the Board created other than by removal may be filled by a majority of the remaining Directors, though less than a quorum, and each Director so elected shall hold office until his or her successor is elected at the end of the former Director's term or at a special meeting called for that purpose.

The remaining Board of Directors shall cause notice to be posted in a prominent place in the Project at least seventy two (72) hours prior to filling the vacancy advising the Members that a vacancy on the Board of Directors exists.

(C) *Membership's Right to Fill Vacancies not Filled by Board.* The Members may at any time call a meeting to elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment by these Bylaws is voted increasing the number of Directors.

(D) *Resignation.* Any Director may resign effective upon giving written notice to the President, the Secretary or the Board. In the event a Director gives any of the above-named parties verbal notice, the Board shall send the Director who gave verbal notice of resignation a letter, by certified and regular mail, stating that the Board is accepting the Director's verbal resignation fifteen (15) days after the date of the letter.

ARTICLE VII BOARD MEETINGS

Section 1. Place of Meetings.

Regular and special meeting of 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.

Section 2. Organizational Meetings.

As soon as reasonably practical, following each annual meeting of Members, the Board shall hold a meeting for the purpose of organization, election of Officers and the transaction of other business. Notice of such meetings is not required.

Section 3. Regular Meetings.

Regular meetings of the Board shall be held every month, or as business dictates, at such time as the Board shall determine at a location within a reasonable proximity to the Project. However, if the business to be transacted by the Board does not require the Board to meet on a monthly basis, said meetings shall be held at least every three (3) months. If the predetermined meeting date should fall upon a legal holiday, then the meeting shall be held at a time and date to be determined by the Board, and the Membership shall be notified in advance of the meeting date and location.

(A) *Notice of Regular Meetings.* Notice of regular meetings of the Board shall be posted in a prominent place within the Common Area, or communicated in writing to the Members by newsletter or otherwise, and shall be communicated to all Directors by first class mail or by telephone, not less than four (4) days before the meeting. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 4. Special Meetings.

Special meetings of the Board for any purpose may be called at any time by the President or by any two (2) Directors.

(A) *Notice of Special Meetings.* Written notice of the time and place of special meetings and the nature of any special business to be considered shall be posted in the manner prescribed for notice of regular meetings, and shall be communicated to all Directors by first class mail or by telephone, not less than seventy-two (72) hours before the scheduled time of the meeting. In case of an emergency, the Association may conduct a meeting with less than seventy-two (72) hours notice, however, it shall be the burden of the person(s) calling the "emergency" special meeting to justify reduction of the required notice time.

Section 5. Waiver of Notice.

The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though it had been at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6. Notice of Adjournment.

Unless a meeting is adjourned for more than twenty-four (24) hours, notice of adjournment of any Directors meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

Section 7. Entry of Notice.

Whenever any Board Member thereof has been absent from any Special Meeting of the Board, an entry in the minutes to effect that notice has been duly given shall be sufficient evidence that due notice of such Special meeting was given to such Board Member, as required by the Bylaws of the Association.

Section 8. Quorum.

A majority of the Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn. 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. However, the Rules and Regulations may be amended only by a majority of the full Board.

Section 9. Adjournment.

A majority of a quorum of the Directors may adjourn any Directors' meeting to meet again at a stated date and hour. In the absence of a quorum, a majority of the Directors present at the Directors' meeting, either regular or special, may adjourn from time to time until time fixed for the next regular meeting of the Board.

Section 10. Attendance at Meetings and Executive Sessions.

(A) Regular and special meetings of the Board shall be open to all Members of the Association. Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. 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's comments. Members should give their comments in a reasonable and courteous manner.

(B) The Board may, upon the vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and other matters of business of a similar nature. Only Directors shall be entitled to attend executive sessions. In general, terms the nature of any and all business to be considered in executive session shall first be announced in open session or at the next regularly scheduled Board meeting.

Noting 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.

Section 11. Action without Meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting if all Members of the Board, individually or collectively, consent in writing to that action. The Board may also take action by written ballot of the majority of the Board of Directors. Action by unanimous written consent or by written ballot shall have the same force and effect as a properly noticed and voted Board of Director's motion. Such unanimous written consent or written ballot shall be filed with the minutes of the proceedings of the Board.

In the event 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.

Section 12. 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 VIII
OFFICERS**

Section 1. Officers.

The Officers of the Association shall consist of a President, Vice President, Secretary and Treasurer who shall be Directors.

Section 2. Election and Term.

The Officers of the Association, except such Officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen annually by a majority vote of the Board for a term of one (1) year and each shall hold his or her office until he or she shall resign, or shall be removed or otherwise disqualified to serve, his or her term ends, or his or her successor be elected and qualified. Officers shall be chosen from the Members of the Board of Directors only. One (1) person may hold two (2) or more offices, except those of President and Secretary.

Section 3. Subordinate Officers.

The Board may appoint such other Officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4. Removal and Resignation from Office.

Any Officer may be removed, with or without cause, by a majority of the Directors at any meeting of the Board. Any Officer may resign at any time by giving written notice to the Board or the President, or to the Secretary of the Association. Any such resignation shall take effect on the date of receipt of such written notice or at any later time specified in the resignation. Unless otherwise specified in the resignation, the acceptance of the resignation is not required to make it effective.

Section 5. Vacancies.

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

Section 6. President.

The President shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and Officers of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board. The President, by virtue of his or her office, shall be an ex-officio Member of all standing committees, including the Executive Committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board or by these Bylaws. The President, at his or her sole discretion, may make motions and vote on said motions or refrain from voting on an issue. Notwithstanding the foregoing, the President shall vote in the case of a tie. Nothing in this Section shall be construed to limit the President from making or seconding motions, in the absence of such motions by other Board Members.

Section 7. Vice President.

In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all powers of and be subject to all the restrictions upon the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him or her by the Board or by these Bylaws.

Section 8. Secretary.

The Secretary shall keep, or cause to be kept, a book of the minutes at the principal office or such other place as the Board may order of all meetings of Directors and Members, with the time and place of the meeting, whether regular or special, and if special how authorized, the notice given, the names of those present at the Directors' meetings, the number of Members present or represented at Members' meetings and the proceedings of the meeting.

The Secretary shall give or cause to be given, notice of all the meetings of the Members and of the Board required by these Bylaws or by law to be given, and shall keep other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 9. Treasurer.

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 and surplus. The books of account shall at all times be open to inspection by any Director.

The Treasurer shall deposit, or cause to be deposited, all monies and other valuables in the name and to the credit of the Association with such depositories 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 requested, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 10. Delegation of Duties.

The Association, acting by and through the Board, may delegate the duties of any of its Officers to committees or employees, including a professional managing agent.

**ARTICLE IX
MISCELLANEOUS**

Section 1. Checks, Drafts, Etc.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board. All checks must be signed by at least one Officer, Reserve withdrawals shall be signed by at least two (2) Directors or one "Director and an Officer of the Board of Directors.

Section 2. Execution of Contracts.

The Board, except as in these Bylaws or otherwise provided, may authorize any Officer or Officers, agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Association. Such contract or instrument shall be signed by any two (2) Officers. Such authority may be general or confined to specific instances as may be determined by the Board. Unless so authorized by the Board, no Officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 3. Members' Right to Inspect Books and Records.

The Association shall keep in its principle office for the transaction of business or at such other place within Riverside County as the Board shall prescribe, the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, a Membership register, books of account and copies of minutes of all Membership, Board and Committee meetings, all of which shall be made available for inspection and copying by any Member of the Association, by any Member's duly-appointed representative, and by all first Mortgagees, at any reasonable time and for a purpose reasonably related to its interest as a Member or Mortgagee. The Board shall establish reasonable rules with respect to:

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

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

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

Section 4. Director's Right to Inspect Books and Record.

Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association.

The right of inspection by a Director shall include the right at the Director's expense to make extracts and copies of documents.

Section 5. Fiscal Year.

The fiscal year of the Association shall be January 1 to December 31 or as determined by the Board, and having been so determined, is subject to change from time to time as the Board shall determine.

Section 6. Financial Statements.

Financial Statements shall be prepared annually by the Association and a copy distributed to all its Members as follows:

(A) *Operating Budget.* A pro forma operating budget shall be distributed annually not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year. The budget shall include all of the following:

1. The estimated revenue and expenses on an accrual basis;
2. The total amount of the cash reserves of the Association currently set aside for the replacement of any major repair of the Common Area;
3. 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, replacement, or additions to those major components of the Common Area; and
4. A general statement setting forth the procedures used by the Board in the calculations and establishment of those reserves to defray the costs of repair, replacement or additions to major components that the Association is obligated to maintain.

(B) *Annual Audit.* An annual report prepared in accordance with generally accepted accounting principles consisting of the following, to be distributed to each Member of the Association within one hundred twenty (120) days after the close of the Association's fiscal year:

1. A balance sheet as of the end of the fiscal year;
2. An operating (income) statement for the fiscal year;
3. A statement of changes in financial position for the fiscal year;
4. A statement advising Members of the place where the names and addresses of the current Members are located; and
5. Any information required to be reported under Corporations Code Section 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 \$10,000.00 per year.

(C) *Assessment Collection Policy.* A statement of the Association's policies and practices in enforcing its remedies against Members for default in the payment of assessments, including the recording and foreclosing of liens, to be distributed to Members of the Association within sixty (60) days before the beginning of each fiscal year.

Section 7. Documents Provided to First Mortgage Holder, Guarantor, Insurer.

Any holder, insurer or governmental guarantor of a first Mortgage encumbering a dwelling unit shall be entitled, upon written request, to a financial statement for the immediately preceding fiscal year, free of charge to the party requesting it. The financial statement shall be furnished within a reasonable time following the request.

Section 8. Documents Provided to Prospective Purchaser

(A) On request by a prospective purchaser or their agent the Association shall provide the following:

1. A copy of the governing documents of the Association;
2. A copy of the most recent financial statement as described in Section 6 above; and
3. A true statement in writing from an authorized representative of the Association as to the amount of any assessments levied upon an Owner's Residence which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's interest in the Association.

(B) Upon written request, an Association shall, within ten (10) days of the mailing or delivery of the request, provide the Owner with a copy of these requested items. The Association may charge a fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested items.

(C) The Association shall not impose or collect any assessment, penalty or fee in connection with a transfer of title or any other interest except the Association's reasonable estimated costs involved with such transfer of title.

Section 9. Personal Liability.

No Member of the Board, or of any Committee of the Association, or any Officer of the Association shall be personally liable to any Owner, or to any other party, including the Association, for any error or omission of the Association, the Board, its authorized agents or employees, if such person has acted in good faith without willful or intentional misconduct.

Section 10. Parliamentary Procedure.

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 an established parliamentary procedure publication as determined by the Board.

Section 11. 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.

**ARTICLE X
INDEMNIFICATION OF DIRECTORS**

Section 1. Owners' Responsibility to Association and Other Owners.

Each owner shall be liable to the Association for any damage to the Common Area caused by the negligence or willful misconduct of the Owner of his or her family members, guests, tenants or employees. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any Lot owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. It is further provided that this Article 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 Article.

Section 2 Indemnification by Association

Every Director and every Officer past or present of the Association shall be indemnified by the Association against expenses and liabilities, including reasonable attorney's fees, incurred or imposed upon him in connection with any proceeding in which he may be a party, or in which he may become involved, by reason of his or her being, or having been, a Director or an Officer of the Association, or any settlement thereof, except in such cases wherein the Director or Officer is adjudged guilty of gross negligence or malfeasance in the performance of his or her duties. Indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled.

ARTICLE XI AMENDMENTS

Section 1. Amendment Procedures.

(A) Amendment by Directors. Except as provided in this subparagraph (A), these Bylaws may be adopted, amended or repealed 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:

1. Changes the number of Directors (Corporations Code Section 151(b);
2. Changes any provision pertaining to Directors who hold office by designation (Corporations Code Section 7220(d);
3. Changes any provision pertaining to the filing of vacancies on the Board which must, by the terms of these Bylaws, be filled by the vote of the Members;
4. Change the Bylaws provisions governing the use of proxies (Corporations Code Section 7613);
5. Eliminates cumulative voting;
6. Materially and adversely affects the rights of the Members as to voting, dissolution, redemption or transfer;

7. Increases or decreases the number of Members authorized in total or for any class;

8. Effects an exchange, reclassification, or cancellation of all or part of the memberships; or

(B) *Amendment by Members.* Except as provided in subparagraph (A) above, these Bylaws may be adopted, amended or repealed only by the affirmative vote (in person or by proxy) or by written consent of Members representing a majority of the total voting power of the Association. Any amendment shall become effective upon recording thereof with the Office of the County Recorder of Riverside County.

CERTIFICATE OF AMENDMENT

I, the undersigned, do hereby certify:

1. That I am duly elected and acting Secretary of the PALM DESERT COUNTRY CLUB ASSOCIATION, a California Nonprofit Mutual Benefit Corporation and certify:
2. That the foregoing Restated Bylaws comprising 32 pages, constitute the Bylaws of the corporation, duly adopted by a vote of at least a majority of the members voting on said Restated Bylaws.

IN WITNESS WHEREOF I hereunto subscribe my name and affix the seal of said corporation this 30th day of November, 1994.

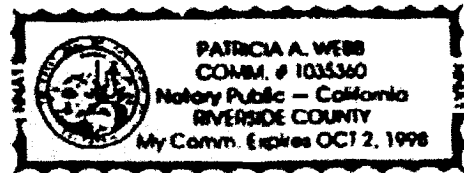
By: Janie Crowley
Janie Crowley, Secretary

STATE OF CALIFORNIA }
COUNTY OF RIVERSIDE } SS

On November 30, 1994, before me, a Notary Public of the State of California, personally appeared Janie Crowley, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within document as Secretary on behalf of the corporation therein named and acknowledge to me that the corporation executed it.

Patricia A. Webb
Notary Public

(Seal)



CERTIFICATE OF AMENDMENT

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Janie Crowley, Secretary

STATE OF CALIFORNIA }
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On November 30, 1994, before me, a Notary Public of the State of California, personally appeared Janie Crowley, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within document as Secretary on behalf of the corporation therein named and acknowledge to me that the corporation executed it.

Patricia A. Webb
Notary Public

(Seal)

