

**THE FIRST RESTATEMENT OF THE BY-LAWS OF BEACHCOMBER**

**INN VACATION MEMBERSHIP ASSOCIATION**

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**ARTICLE 1**

**GENERAL PROVISIONS**

Section 1. Name. The name of the association is Beachcomber Inn Vacation Membership Association ("Association"), which is a non-profit mutual benefit corporation. The principal office of the Association shall be at such place in the County of El Dorado as the Board of Directors may designate from time to time.

Section 2. Definitions. Unless expressly indicated to the contrary, the terms used herein shall have the following meanings:

(A) Declaration. That certain Amended and Restated Declaration recorded July 7, 1987, and as shall be or has been recorded in the Office of the County Recorder of El Dorado County, California, and all amendments thereto.

(B) Time Share Estate. As used herein, an owner of a Time Share Estate, shall mean an owner with a present interest in exercising use rights at the Beachcomber Inn Resort and not subject to a vacation membership interest.

(C) Additional Terms. The balance of the terms defined in the Declaration shall have the same meaning when used in these By-Laws as when used in the Declaration.

Section 3. Purpose. The Association has been formed for the purpose of exercising the powers and performing the duties of the Association set forth in these By-Laws, the Articles of Incorporation of the Association and the Declaration.

**ARTICLE 2**

**MEMBERSHIP AND VOTING RIGHTS**

Section 1. Qualifications. Each owner of a Vacation Membership or a Time Share Estate, shall be a member of the Association. If such Vacation Membership or a Time Share Estate is owned by more than one owner, all such owners shall be members of the Association;

provided, however, that for the purposes of the representation of such Vacation Membership or Time Share Estate with regard to the affairs of the Association and the voting of the members of the Association, such Vacation Membership or Time Share Estate, except as provided in Section 3 hereof, shall be represented by and entitled to only one (1) vote which shall be exercised and cast in accordance with the provisions of these By-Laws. Ownership of a Vacation Membership or Time Share Estate within the Project shall be the sole qualification for membership in the Association.

Section 2. Transfer of Membership. The Association membership of each owner shall be appurtenant to the Vacation Membership or Time Share Estate giving rise to such membership, and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon the transfer of title to said Vacation Membership or Time Share Estate and then only to the transferee of title to said Vacation Membership or Time Share Estate. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Vacation Membership or Time Share Estate shall operate automatically to transfer the membership in the Association appurtenant thereto to the new owner thereof.

Section 3. Voting Rights. The Association shall have one class of voting membership. Whenever these By-Laws, the Declaration or the Articles require the vote, assent or presence of a stated number of owners or members entitled to vote on a matter or at a meeting with regard to the taking of any action or any other matter whatsoever, the provisions of this Article 2 and Section 3 of Article 4 shall govern as to the total number of available votes, the number of votes an owner is entitled to cast at the meeting, and the manner in which the vote attributable to a Vacation Membership or Time Share Estate having more than one owner shall be cast.

Section 4. Joint Owner Disputes. The vote, or votes, for each Vacation Membership or Time Share Estate may be cast only as a unit, and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any owner or owners cast a vote representing a certain Vacation Membership or Time Share Estate, it will thereafter be conclusively presumed for all purposes that he/she/they were acting with the authority and consent of all other owners of the same Vacation Membership or Time Share Estate.

Section 5. Members' Rights and Duties. Each member shall have the rights, duties and obligations set forth in these By-Laws, the Articles and the Declaration, as the same may be amended from time to time.

Section 6. Cumulative Voting. In any election of the Board in which two (2) or more positions on the Board are to be filled, every owner entitled to vote at such an election shall have the right to accumulate his votes and give one 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 owner is otherwise entitled to cast pursuant to the Declaration and these By-Laws. Subject to the provisions of Article 6, Section 1 hereof, the candidates receiving the highest number of votes, up to the number of Board members to be elected, shall be deemed elected. Voting for members of the Board shall be by secret written ballot.

## ARTICLE 3

### MEMBERSHIP ASSESSMENTS AND LIEN RIGHTS

Section 1. Membership Assessments. Annual maintenance fees, special assessments and personal charges as provided for in the Declaration, together with all other assessments of the members provided for in the Declaration shall be paid by the members at the time, in the manner and subject to the conditions and limitations set forth in the Declaration, and the Board shall fix, levy, collect and enforce such assessments at the time, in the manner and subject to the limitations set forth in the Declaration.

Section 2. Enforcement, Lien Rights. For the purpose of enforcing and collecting assessments, this Association shall have the lien rights set forth in the Declaration, which lien rights shall be enforceable by the Board in the manner set forth in the Declaration. The Board shall also have and be entitled to exercise all other rights and remedies set forth in the Declaration or otherwise provided for at law or in equity.

## ARTICLE 4

### MEMBERSHIP RIGHTS AND PRIVILEGES

Section 1. Rights and Privileges of Members. No member shall have the right, without the prior approval of the Board, to exercise any of the powers or to perform any of the acts delegated to the Board by these By-Laws, or the Declaration. Each member shall have all of the rights and privileges granted to the members by these By-Laws and the Declaration subject to such limitations as may be imposed in accordance therewith.

Section 2. Rules. The Board may establish such rules, regulations and prerequisite conditions to the use of the common area and the facilities thereon as it, in its sole discretion, deems appropriate, so long only as such rules, regulations and conditions do not materially abridge the rights of members set forth in the Declaration. The Board may establish rules, regulations, fees for and prerequisite conditions to the use of the common area and facilities thereon by persons who are neither members nor members' spouses or children living with such member, including guests. The Board may determine whether admission and/or other fees shall be charged for the use of any recreational facilities situated upon the common area. Any such admission or other fees (as distinguished from assessments) shall apply equally to all members of the Association and to their spouses or children living with such member, (but need not be the same as such fees for persons who are neither members or members' spouses or children) and shall be used first by the Association for expenses of maintenance, repair and operation of any recreation facility the use of which is subject to an admission or other fee set by the Board, until all monies derived from such admissions and fees have been expended therefor. All rules and regulations adopted pursuant to this Section 2 and pursuant to the Declaration shall hereinafter be referred to as the "Rules and Regulations."

Section 3. Suspension of Voting Rights; Imposition of Monetary Penalties. The Board shall have the right to suspend the voting rights of any member or members for the period during which any Assessment owed by such member remains unpaid and delinquent. The Board shall also have the right to suspend such voting rights for a period not to exceed thirty (30) days and to impose monetary penalties for any other failure to comply with the Declaration or the Association Rules by any member, his servants, guests, tenants, invitees or the members of his family; provided that any suspension of voting rights shall be made or monetary penalties imposed by the Board only after a meeting of the Board, at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in these By-Laws for the noticing, calling and holding of a special meeting of the Board. Written notice of such meeting, including notice of the proposed actions of the Board and the reasons therefore, shall be given at least fifteen (15) days prior to the holding of such meeting to the member whose voting rights are being sought to be suspended or again whom monetary penalties are sought to be imposed. Such notice shall be given either by personal delivery or deposited in the United States mail, certified or registered, postage and fees prepaid, return receipt requested, addressed to such member at the address given to the Association by him for the purpose of giving notice. Such notice, if mailed, shall be deemed given and received twenty-four (24) hours after being so deposited in the United States mail. The member whose voting rights are being sought to be suspended or against whom monetary penalties are sought to be imposed shall be entitled to appear at such meeting and present his case as to why voting rights should not be suspended or such monetary penalties should not be imposed. The decision as to whether such rights should be suspended or such monetary penalties should be imposed shall be made by a majority of the members of the Board present at such meeting and shall be binding upon all members. No action taken at such meeting shall be effective unless a quorum of the Board is present. No suspension of voting rights or imposition of monetary penalties shall be effective unless and until written notice has been given to the member of the suspension, the reason(s) therefor and the length thereof.

## ARTICLE 5

### MEETINGS OF MEMBERS

Section 1. Place of Meeting. All meetings of the members shall be held at a time and place fixed by a resolution of the Board.

Section 2. Annual Meetings of Members. The annual meetings of members shall be held each year in the same month in which the organization meeting as hereinafter provided for was held commencing with the year immediately following the year during which the organization meeting as hereinafter provided for is held. The members may also transact such other business of the Association as may properly come before them at such organization or annual meeting. Written notice of each annual meeting shall be given to each member by the Secretary in the manner hereinafter provided. All such notices of any organization or annual meeting shall be sent to each member no less than thirty (30) days and not more than ninety (90) days before such meeting, and shall specify the place, the day and the hour of such meeting and shall generally state those matters which the Board, at the time of mailing of the notice intends to present for action by the members (but any proper matter may be presented for action at such meeting). The

notice of any meeting at which directors are to be elected shall include the names, addresses, and brief biographical sketches of those who are nominees at the time the notice is sent to members.

Section 3. Special Meetings. Special meetings of members, for any purpose or purposes whatsoever, may be called at any time by a majority of the Board or by members representing five percent (5%) or more of the total voting power of all members provided that no special meeting may be held or called prior to the organization meeting. Except in special cases where other express provision is made by statute, these By-Laws or the Declaration, notice of such special meetings shall be given in the same manner as for annual meetings and may be given by a person or persons entitled to call such meeting. Notices of any special meetings shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted (and no other business may be transacted).

If a special meeting is called by members, 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, email or by other facsimile transmission to the President, 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, that a meeting will be held, and the date for such meeting, which date shall be not less than thirty-five (35) days nor more than ninety (90) days following the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice.

Section 4. Notice of Certain Agenda Items. If action is proposed to be taken at any 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 states the general nature of the proposal(s).

- (a) Removing a director without cause;
- (b) Filling vacancies on the Board by the members;
- (c) Amending the Articles;
- (d) Approving a contract or transaction in which a director has a material financial interest; and

Section 5. Manner of Giving Notice. Notice of any meeting of the members shall be given either personally or by first-class mail, by electronic notice or other appropriate communication, charges prepaid, if applicable, addressed to each member at 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, by electronic notice, or other written communication to the Association's principal executive office, or (ii) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or

sent by electronic notice or other means of written communication. An affidavit of the mailing or other means of giving any notice of any members' meeting may be executed by the Secretary, Assistant Secretary, or any other party of the Association giving the notice, and if so executed, shall be filed and maintained in the minute book of the Association.

Section 6. Adjourned Meetings and Notice Thereof. Any membership meeting, organization, annual or special, whether or not a quorum is present, may be adjourned from time to time by the affirmative vote of a majority of the votes entitled to be cast and represented at such meeting in person or by proxy, but in the absence of a quorum, no other business may be transacted at any such meeting unless these By-Laws or the Declaration otherwise provides.

When any membership meeting, either organizational, annual or special, is adjourned for thirty (30) days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of the original meeting so adjourned. Except as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting, other than by an announcement at the meeting at which such adjournment is taken.

Section 7. Quorum.

(a) Definitions. For purposes of this Section 7, the following terms shall have the following meanings: "Net Total Votes" means that number of votes which is equal to the difference between the total number of votes in the Association and the number of votes as to which voting rights are suspended at the time of the subject meeting in accordance with these By-Laws.

(b) Quorum. The presence either in person or by proxy at a Members' meeting of Members representing and entitled to cast at least thirty percent (30%) of the Net Total Votes shall constitute a quorum for any action by the Members, unless a different requirement is imposed by these By-Laws, the Articles or the Declaration. A majority of the Net Total Votes present at a meeting at which a quorum is present shall prevail at such meetings unless a different percentage is required by these By-Laws, the Articles or the Declaration. Subject to the provisions of Section 4 of this Article 5 and unless otherwise expressly authorized by these By-Laws or the Declaration, all action required or permitted to be taken by the Members may be taken only at a duly called and properly noticed organization, annual or special meeting at which a quorum is present. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members so that less than a quorum is present if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If any meeting cannot be held because a quorum is not present, a majority of the Members present either in person or by proxy and entitled to vote, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called at which meeting the quorum requirement shall be fifteen percent (25%) of the Net Total Votes.

Section 8. Consent of Absentees. The transactions of any meeting of members, either organizational, annual, or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the members entitled to vote and not present in person or by proxy, signs a written waiver of notice, or a consent of the holding of such meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of members, except that if action is taken or proposed to be taken for approval of any of the matters specified in Section 4 of Article 5, the waiver of notice or consent shall state that general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 9. Waive by Attendance. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality or the notice.

Section 10. Action without Meeting. Any action, other than the election of Directors, which under the provisions of the California Nonprofit Mutual Benefit Corporation Law may be taken at a meeting of the Members, may be taken without a meeting and without prior notice if ( a ) the written ballot of every member is solicited, ( b ) the required number of signed approvals in writing, setting forth the action so taken, is received, ( c ) the number of ballots cast within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and ( d ) the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of ballots cast.

Ballots shall be solicited in a manner consistent with the requirements of subdivision ( b ) of Section 7511 and Section 7514 of the California Nonprofit Mutual Benefit Corporation Law. All such solicitations 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.

Subject to Sections 7611 and 7613 of the California Nonprofit Mutual Benefit Corporation Law, any member casting a ballot, or the proxy holders of a member or a transferee of a membership or a personal representative of the member or their respective proxy holders, may revoke the ballot, or substitute another, by a writing received by the Association fourteen (14) days prior to the election, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary of the Association.

Section 11. Record Date. The Board of Directors may fix a date in the future as a record date for the determination of the members entitled to notice of and to vote at any meeting of members. The record date so fixed shall not be more than sixty (60) days prior to any other action. When a record date is so fixed, only members of record on that date shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of or issuance of membership certificates on the books of the Association after the record date.

If no record date is fixed in accordance with the provisions of the preceding paragraph, the record date for determining those members entitled to receive notice of, or to vote at, a meeting of members shall be the next business day preceding the day on which notice is given, or, if notice is waived, the next business day preceding the day on which the meeting is held. The record date for determining those members entitled to vote by ballot on corporate action without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given. 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. For purposes of this paragraph and the preceding paragraph, a person holding membership as of the close of business on the record date shall be deemed the member of record.

Section 12. Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Association prior to the commencement of the meeting at which the proxy is to be exercised. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (1) revoked by the member executing it as provided for in Section 10 above of this Article, before the vote cast pursuant to the proxy, by a writing delivered to the Association stating that the proxy is revoked by a subsequent proxy executed by such member, or by personal attendance and voting at a meeting by such member, or (2) if written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant to the proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of the California Nonprofit Mutual Benefit Corporation Law. In any election of directors, any form of proxy that 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, shall not be voted either for or against the election of a director. Failure to comply with this paragraph shall not invalidate any corporation election taken, but may be the basis for challenging the proxy at a meeting.

## ARTICLE 6

### DIRECTORS

Section 1. Number. Qualifications. Term of Office. The affairs of the Association shall be managed by a Board of five (5) directors each of whom must be a member in good standing of the Association. The members shall elect five (5) directors, three (3) of whom shall hold office for three (3) years; and two (2) of whom shall hold office for two (2) years. At each annual meeting of the members thereafter, the members shall elect a new director to fill each vacancy created by the expiration of a prior director's term of office. Such new directors shall serve for a term of two (2) years or until the later election of their successors. From and after the first election of the Board by the members, at least one of the members of the Board shall be elected solely by the votes of the members which election of directors shall be subject to the following special election procedures:

(a) Notice of the meeting at which directors are to be elected shall set forth the number of directors to be elected by members and shall call for nominations. Any member entitled to vote at the meeting pursuant to the provisions of these By-Laws shall be eligible as a candidate for the position of director. Nominations shall be made as set forth in Section 2 of this Article 6.

(b) Members shall elect the number of directors specified in the notice of the meeting pursuant to these special election procedures by secret ballot prior to the conduct of the regular election of remaining directors by all members. The remaining directors shall then be elected pursuant to the regular election procedures established in these By-Laws.

Prior to the organization meeting, and thereafter until their successors are elected, the incorporator of the Association or the first directors appointed by the incorporator shall serve as directors of the Association. The number of directors may be increased or decreased from time to time [but in no event shall be less than three (3)] by an amendment to these By-Laws by the Members as hereinafter provided in these By-Laws.

Section 2. Nominating Committee. The President of the Association shall appoint a committee to select qualified candidates for election to the Board and forward to each member, with the notice of meeting required by Article 5. Section 2, a list of candidates. The nominating committee is not limited to the selection of members, but can include non members that in the President's discretion are qualified to evaluate candidates for office. Either the nominating committee or the Board of Directors may establish criteria for the evaluation, but in no event shall the nominating committee nominate any candidate that is not current with his/her/its maintenance assessment obligations and is otherwise in good standing with the association.

Members representing five percent (5%) of the membership may nominate candidates for directorships at any time before the fiftieth (50<sup>th</sup>) day preceding such election. On timely receipt of a petition signed by the required number of members, the Secretary shall cause the names of the candidates named on it to be placed on the ballot along with those candidates named by the nominating committee. At the meeting to elect directors, any member present at the meeting, in person or by proxy, may place names in nomination.

### Section 3. Removal and Vacancies.

(a) Removal By Membership. The entire Board or any individual director may be removed from office, with or without cause, at any duly called, notice and held annual or special meeting of the members, at which a quorum is present, by a majority of the total votes present at such meeting either in person or by proxy, and entitled to vote, provided, however that unless the entire Board is removed from office by the vote of the members of the Association, no individual director shall be removed prior to the expiration of his term of office if the votes cast against removal or not consenting in writing to such removal would be sufficient to elect the director if voted cumulatively at an election at which the same number of votes were cast and the entire number of directors authorized at the time for the most recent election of the director were then being elected. A director who has been elected to office may be removed from office prior to the expiration of his term of office by the vote of at least a simple majority. A vacancy in the Board

created by the removal of a director by the membership as provided herein shall be filled by a majority of members including a majority of members at a duly called special meeting, and each director so elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting duly called for that purpose.

(b) Removal By Board and Vacancies. The Board shall have the power to elect a successor to the Board in the event of a vacancy. A vacancy shall be deemed to exist if any of the following events have occurred: (a) an individual director is absent from four (4) consecutive regular meetings of the Board of Directors; (b) the individual director has transferred his/her/its Right To Use or Time Share Estate to a third party and no longer holds any property interest in the project; (c) if the individual director remains delinquent in any maintenance assessments due the Association sixty (60) days following written notice of said delinquency; (d) death of the director; (e) resignation by director. The Board shall, by action taken at the meeting, declare the office of said absent director to be vacant if any of the foregoing criteria determining a vacancy have been satisfied.

(c) Vacancies Caused By Increases In The Number Of Directors. If the members shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized or any adjournment thereof to elect the additional director so provided for, or in case the members fail at any time to elect the full number of authorized directors. In the event of an increase in the authorized number of directors, no more than one director may be appointed, rather than elected, to fill a vacancy created thereby.

Section 4. Place of Meeting. All meetings of the Board will be held on the Property, or at such site as designated at any time by the resolution of the Board, or by written consent of a majority of the members of the Board.

Section 5. Organization Meeting of the Board. Immediately following the organization meeting and each annual meeting of the members, the Board shall hold a regular meeting at the same place for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 6. Other Regular Meetings. Other regular meetings of the Board shall be held at a time and at such place on the Property or as close thereto as reasonably possible, which place may be designated by the Board from time to time. Notice of the time and place of such meeting shall be communicated to each director not less than thirty (30) days prior to the meeting. Regular meetings of the Board shall be held at least annually.

Section 7. Special Meetings. Special meetings of the Board for any purpose or purposes may be called by written notice at any time by any two directors.

Notice of the time and place of special meetings and of the nature of any special business to be considered shall be given to each director either ( a ) by written notice given by first-class mail at least fifteen (15) days prior to the scheduled time of such meeting, or ( b ) by telephone notice or written notice delivered personally or by electronic mail at least ninety-six (96) hours prior to the meeting.

Whenever any director has been absent from any special meeting of the Board and notice of such meeting has been duly given to such director, an entry in the minutes to the effect that notice has been duly given shall be made.

Section 8. Meetings by Telephone. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, and any member of the Board may participate by conference telephone or similar communications equipment in a meeting at which other Members of the Board are physically present, 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.

Section 9. Quorum Requirement. Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice, if a quorum is present, unless a quorum is expressly not required pursuant to these By-Laws, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 10. Action Without Meeting. Any action required or permitted to be taken by the Board by law, according to the Articles or according to these By-Laws or the Declaration may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. 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 such directors.

Section 11. Quorum. A majority of the Board shall constitute a quorum thereof. 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, in person or by telephone, shall be regarded as the act of the Board, unless the provisions of these By-Laws, the Articles or the Declaration (especially those provisions relating to (1) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (2) appointment of committees, and (3) indemnification of directors) shall require or permit the particular action involved to be taken by the Board under other circumstances.

Section 12. Adjournment. A quorum of the directors may adjourn any directors' meeting again at a stated day and hour; provided, however, that 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 the time fixed for the next regular meeting of the Board. Notice of the time and place of holding and adjourned meeting need not be given, unless the meeting is adjourned for more than 24 hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

### Section 13. Open Meetings.

( a ) Regular and special meetings of the Board shall be open to all members of the Association provided, however, that members of the Association not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. Any member may request to be and shall be connected to a meeting by telephone conference call. If the number of members requesting such connection makes the telephone conference call impractical or impossible, a telephone conference meeting may not be held.

( b ) The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 14. Compensation. No director of the Association shall receive any salary or other compensation for services rendered as a director or officer of the Association. However, directors and officers shall be reimbursed by the Association for transportation expenses and shall receive reasonable per diem payments incurred in connection with their attendance at regular and special meetings of the Board. Nothing herein shall preclude any director from serving the Association in any capacity other than as an officer or a director and receiving compensation therefor as authorized and approved by the Board. Any director receiving any special compensation for services in such other capacity shall be excluded from deliberations and voting by the Board relative to the authorization thereof and fixing compensation with regard thereto.

Section 15. Committees. The Board shall have the power to appoint in Executive Committee and other committees and to delegate to such committees any of the powers and authority of the Board in the management of the business and affairs of the Association except the power to:

( a ) adopt, amend or repeal the Articles of Incorporation or By-Laws;

( b ) fill vacancies on the Board or in any committee;

( c ) amend or repeal any resolution of the Board which by its express terms is not so amenable or repealable;

( d ) appoint any other committees of the Board or the members of these committees; and

( e ) approve any transaction (1) to which the Association is a party and one or more directors have a material financial interest or (2) between the Association and one or more of its directors or (3) between the Association and any entity in which one or more of its directors have a material financial interest.

Each Committee shall be composed of one (1) director (one member of the Executive Committee shall be the President) and shall keep regular written minutes of the proceedings and report the same to the Board.

Section 16. Powers and Duties. Subject to the limitations of the Articles, these By-Laws, the Declaration and the Nonprofit Mutual Benefit Corporation Law as to action required to be taken, authorized or approved by the members of the Association, or a portion or percentage thereof, all Association powers and duties including those set forth in the Declaration shall be exercised by or under the authority of the Board, and the business and affairs of the Association shall be controlled by the Board.

Section 17. Minutes of Meetings. A copy of the written minutes of any meeting of the Board shall be distributed to all members within 60 days after the adjournment of such meeting.

Section 18. Disclosure. Any candidate for the Board of Directors or any individual director hereby consent to the disclosure at any time of the status of his/her maintenance assessment obligations to the association, which said status may be disclosed at the request of any member.

## ARTICLE VII

### OFFICERS

Section 1. Enumeration of Officers. The officers of the Association shall be a President, a Secretary, a Chief Financial Officer and such other officers as the Board may deem necessary. Any person may hold more than one office, provided that neither the Secretary nor the Chief Financial Officer may serve concurrently as the President. The President, Vice President and Secretary shall be members of the Board. The Chief Financial Officer may be, but need not be a member of the Board. Each officer must be a member of the Association.

Section 2. Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers that the business of the Association may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in these By-Laws or determined from time to time by the Board.

Section 3. Election. The initial officers shall be chosen by a majority vote of the directors at the first meeting of the Board, and thereafter, officers shall be removed or chosen at any subsequent meeting of the Board by a majority vote of the total number of directors on the Board.

Section 4. Term. All officers shall hold office at the pleasure of the Board.

Section 5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the 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.

Section 6. President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have supervision, direction and control of the business and affairs of the Association. He shall preside at all meetings of the members and at all meetings of the Board. He shall be ex-officio a member of all standing committees, including the Executive Committee, if in existence and shall have the general powers and duties of management usually vested in the office of President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these By-Laws.

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 by the Board or by these By-Laws.

Section 8. Secretary. The Secretary shall keep or cause to be kept, a book of minutes at the principal office of the Association or such other place as the Board may order, of all meetings of directors and members, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those persons present at the directors' meetings, the number of members present or represented at members' meetings and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board required by the By-Laws or by law to be given, shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or the By-Laws.

The Secretary shall keep, or cause to be kept, at the principal executive office, as determined by resolution of the Board, a record of the Association members, showing the names of all members and their addresses.

Section 9. Treasurer: The Treasurer shall oversee and maintain, or cause to be kept or 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. All monies and other valuables in the name and to the credit of the Association shall be deposited with such depositories as may be designated by the Board. He 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 his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the By-Laws. The Board may delegate the performance of the foregoing duties, subject to supervision by the Treasurer, to a professional manager retained by the Association.

## ARTICLE VIII

### INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Section 1. Definitions. For the purpose of this Article,

( a ) “agent” means any person who is or was a director, officer, employee, or other agent of this Association, or is or was serving at the request of this Association as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise;

( b ) “proceeding” means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative or investigative; and

( c ) “expenses” includes, without limitation, all attorneys fees, costs, and any other expenses incurred in the defense of any claims or proceedings against an agent by reason of his position or relationship as agent and all attorneys fees, costs, and other expenses incurred in establishing a right to indemnification under this Article.

Section 2. Successful Defense By Agent. To the extent that an agent of this Association has been successful on the merits in the defense of any proceeding referred to in this Article, or in the defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an agent either settles any such claim or sustains a judgment rendered against him, then the provisions of Sections 3 through 5 of this Article shall determine whether the agent is entitled to indemnification.

Section 3. Actions Brought by Persons Other Than the Association. Subject to the required findings to be made pursuant to Section 5 below, this Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding other than an action brought by, or on behalf of, this Association, or by an officer, director or person granted related status by the Attorney General, or by the Attorney General on the ground that the defendant director was or is engaging in self-dealing within the meaning of California Corporations Code Section 5233, by reason of the fact that such person is or was an agent of this Association, for all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding.

Section 4. Action Brought by or On Behalf of the Association.

( a ) Claims settled out of court. If any agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of this Association, with or without

approval, the agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other dispositions or for any expenses incurred in defending against the proceeding.

( b ) Claims and suits awarded against agent. This Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action brought by or on behalf of this Association by reason of the fact that the person is or was an agent of this Association, and for all expenses actually and reasonably incurred in connection with the defense of that action, provided that both of the following are met:

( i ) The determination of good faith conduct required by Section 5 of this Article below must be made in the manner provided for in that section; and

( ii ) Upon application, the court in which the action was brought must determine that, in view of all of the circumstances of the case, the agent should be entitled to be indemnified for the expenses incurred. If the agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

Section 5. Determination of Agent's Good Faith Conduct. The indemnification granted to an agent in Sections 3 and 4 of this Article above is conditioned on the following:

( a ) Required standard of conduct. The agent seeking reimbursement must be found, in the manner provided below, to have acted in good faith, in a manner he believed to be in the best interest of this Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in the best interest of this Association or that he had reasonable cause to believe that his conduct was unlawful. In the case of a criminal proceeding, the person must have had no reasonable cause to believe that his conduct was unlawful.

( b ) Manner of Determination of Good Faith Conduct. The determination that the agent did act in a manner complying with Paragraph (a) above shall be made by:

( i ) the Board by a majority vote of a quorum consisting of directors who are not parties to the proceeding; or

( ii ) the affirmative vote or written ballot of a majority of the votes 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), with the persons to be indemnified not being entitled to vote thereon.

( iii ) the court in which the proceeding is or was pending. Such

determination may be made on application brought by this Association or the agent or the attorney or other person rendering a defense to the agent, whether or not the application by the agent, attorney or other person is opposed by this Association.

Section 6. Limitations. No indemnification or advance under this Article except as provided in Sections 2 or 5(b)(iii), in any circumstances when it appears:

( a ) that the indemnification or advance would be inconsistent with a provision of the Articles, a resolution of the members, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

( b ) that the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 7. Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by this Association before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section 8. Contractual Rights of Nondirectors and Nonofficers. Nothing contained in this Article shall affect any right to indemnification to which persons other than directors and officers of this Association, or any subsidiary hereof, may be entitled by contract or otherwise.

Section 9. Insurance. The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this Association would have the power to indemnify the agent against that liability under the provisions of this Section.

## 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 resolution of the Board.

Section 2. Contracts, etc. How Executed. The Board, except as otherwise provided in these By-Laws, 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, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by a contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 3. Inspection of By-Laws. The Association shall keep in its principal office the original or a copy of these By-Laws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 4. Fiscal Year. The fiscal year of the Association shall terminate on December 31, of each year.

Section 5. Maintenance and Inspection of Other Corporate Records. The accounting books, records and minutes of proceedings of the members and the Board and any committee(s) of the Board shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal executive office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The minutes and accounting books and records shall be open to inspection on the written demand of any member, at any reasonable time during usual business hours, for a purpose reasonably related to the member's interests as a member. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts.

The Board shall establish reasonable rules with respect to:

- ( a ) Notice to be given to the custodian of records by the member desiring to make the inspection.
- ( b ) Hours and days of the week when such an inspection may be made.
- ( c ) Payment of the cost of reproducing copies of documents requested by a member.

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

Section 6. Annual Report to Members. The annual report to members referred to in the California Nonprofit Mutual Benefit Corporation Law is expressly dispensed with, but nothing in these By-Laws shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the members as they consider appropriate. However, the Association shall provide to the Directors and to the members the financial reports referred to in the Declaration, as follows:

- ( a ) A pro forma operating statement (Budget) of "Basic Expenses" (as that term is defined in Paragraph 4.3 of the Declaration) for the Vacation Membership program for each fiscal year shall be distributed to members not less than 30 days before the beginning of each fiscal year, except the first fiscal year of the Association, with respect to which the Budget shall be distributed as soon as reasonably possible.

( b ) An annual report shall be distributed to a requesting member, within 120 days after the end of each fiscal year, consisting of the following: ( i ) a balance sheet as of the last day of the fiscal year; ( ii ) an operating (income) statement for such fiscal year; ( iii ) a statement of net changes in financial position for the project during the fiscal year; ( iv ) any information required to be reported under Section 8322 of the California Corporations Code; and ( v ) a list of the names, mailing addresses and telephone numbers of the members of the Board.

## ARTICLE X

### EVIDENCE OF MEMBERSHIP, SEAL

Section 1. Evidence of Membership. The Board shall have the power, but not the obligation, to cause the issuance of evidence of membership in the Association to the Members in such form as the Board shall determine.

## ARTICLE XI

### AMENDMENTS, CONFLICTS

Section 1. Amendments. The Articles of Incorporation and these By-Laws may be amended from time to time by vote at any duly called, noticed and held regular or special meeting of the members at which a quorum is present or by written assent of the members and, with respect to the Articles of Incorporation only, by the vote or written assent of at least a majority of the Board. Any amendment to the Articles and/or these By-Laws shall require the vote or written assent of the members holding at least a majority of the votes held by members of the Association. Any amendment to the Articles and/or these By-Laws shall require the vote or written assent of members holding at least a majority of the total votes in the Association provided, however, that the percentage of the voting power of the Association necessary to amend a specific clause or provision of these By-Laws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause or provision. Amendments shall be kept by the Secretary with the other records and books of the Association and shall become effective upon the execution of such written instrument as required by this Section without any further action or requirement.

Section 2. Conflicts. In the event of any inconsistency between these By-Laws and the Articles, the Articles shall control, and in the event of any inconsistency between these By-Laws or the Articles and the Declaration, the Declaration shall control.

## ARTICLE XII

### DISSOLUTION

Upon the winding up and dissolution of the Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets may be distributed to the members of the Association as provided in the Declaration.

CERTIFICATION

THIS IS TO CERTIFY:

That I am duly elected, qualified and acting Secretary of the Beachcomber Inn Vacation Membership Association, a California Nonprofit Mutual Benefit Corporation, and that the above and foregoing By-Laws were adopted as the By-Laws of said corporation by the Board of Directors at a special meeting held on \_\_\_\_\_, 2009.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_ Day of \_\_\_\_\_, 2009.

\_\_\_\_\_