

ARTICLE I
DEFINITIONS

Certain terms as used in these Bylaws shall be used with the following respective meanings unless the context clearly indicates a different meaning therefor:

1. Declaration of Restrictions. "Declaration of Restrictions" shall mean that specific Declaration of Protective Restrictions executed by Alcan Pacific Company, a corporation, dated June 29, 1962, and recorded July 16, 1962, in the office of the County Recorder of Monterey County, California, and as amended in recordings of August 31, 1966, January 12, 1970, and July 29, 1971, and as it may be further amended from time to time. These Bylaws are expressly made subject to said Declaration of Restrictions and anything in these Bylaws which is inconsistent with said Declaration of Restrictions shall be void and ineffective.

2. Restrictions. "Restrictions" shall include all restrictions, conditions, reservations, covenants, servitudes, liens and charges contained in the Declaration of Restrictions.

3. Unit. "Unit" shall mean an area of open space, not including the ground underneath, around which air space the construction of a residence apartment shall have been completed. Each unit shall include the interior finished surfaces of the ceilings, floors and all walls thereof, and all of the area encompassed therein, plus the doors, windows, but the following items shall not be deemed to be part of any unit: bearing walls, columns, girders, fireplaces including the flues and chimneys thereof, all utility lines to the outlet, conduits, wiring, ducts, pipes and flues. The term "unit" when used herein shall refer to an interest in real property to which an owner holds title in fee. There are 300 such units in the subject property.

4. Owner. "Owner" shall mean the record owner of any unit or units as shown in the records of the County Recorder of Monterey County, California, including the Association insofar as the Association may hold record title to any portion of the subject property. The owner of each unit shall also hold an undivided 1/300th interest in the common area and in the commonly owned personal property.

5. Recorded, Recording, and of Record. "Recorded", "recording", and "of record" shall mean recorded, recording, or of record in the Office of the County Recorder of Monterey County, California.

6. Buildings and Grounds Committee. "Buildings and Grounds Committee" shall mean the committee designated as the Buildings and Grounds Committee in the Declaration of Restrictions.

7. Charges and Assessments. "Charges and Assessments" shall mean and include all charges and/or assessments to which the property under the jurisdiction of the Association is or may be subject under and pursuant to the Declaration of Restrictions.

8. Member or Membership. A "member" or "membership" shall mean, respectively, a member or membership in the Association as further defined in Article II, Section 1, of these Bylaws.

9. Person. "Person" shall include an individual person, a partnership, an association, and a corporation, unless the context indicates a contrary meaning.

10. Articles of Incorporation. "Articles of Incorporation" shall mean the Articles of Incorporation of the Association as the same may be amended from time to time.

11. Bylaws. "Bylaws" shall mean these Bylaws as the same may be amended from time to time.

12. Singular and Plural, Masculine, Feminine and Neuter. In these Bylaws, the singular shall include the plural and the plural the singular unless the context requires the contrary; and the masculine, feminine and neuter shall each include the masculine, feminine and neuter when the context so requires.

13. Association. "Association" shall mean the Hacienda Carmel Community Association, a California non-profit corporation, which acts as operating agent for the Association's members relative to the subject property, which is known as "Hacienda Carmel."

14. Permanent Occupant, Permanent Occupancy, Residing Permanently, and Occupied Permanently. These terms shall mean the occupancy of units for a period aggregating more than thirty (30) days in any six-month period or in the case of persons under eighteen (18) years of age aggregating more than two weeks in any six-month period.

15. Authorized Occupant. An "authorized occupant" shall mean an occupant of a unit who has obtained the written consent of the Association in compliance with the provisions of Article VII, Section 5, of these Bylaws.

16. Board of Directors. "Board of Directors" shall mean the governing body of the Association as provided for in the Declaration of Restrictions and in Article IV of these Bylaws.

17. General Manager. "General Manager" shall mean the executive official employed by the Board of Directors to conduct the operation, maintenance and service of the Association under the direction of the Board of Directors in conformity with the Job Description adopted by the Board of Directors as said Job Description may be amended from time to time.

18. Common Area. "Common Area" shall mean all portions of the subject property other than units defined in Definition 3 of this Article I, and as further defined in Article II, Definition 7, of the Declaration of Restrictions.

19. Subject Property. "Subject property" shall mean the site of Hacienda Carmel as set forth in the legal description in Article V of the Association's Articles of Incorporation.

20. Principal Office. "Principal office" of the Association shall mean the premises of the subject property, specifically Casa Central.

ARTICLE II

MEMBERSHIP

Section 1. Number and Classes of Members.

The Association shall have two classes of Members, which shall be referred to as "Members" and "Associate Members."

The term "Members" as used in the Articles of Incorporation, Declaration of Restrictions and Bylaws shall refer only to record owners of units in the Association as said units are defined in the Declaration of Restrictions and Bylaws. Each record owner of a unit shall be a Member and no person who is not a record owner of a unit may be a Member. The total number of Members entitled to vote which the Association shall be authorized to have shall be three hundred (300). No Member shall hold more than one Membership, except that in the case of ownership of more than one unit by the same owner there shall be a Membership entitled to vote for each such unit.

The term "Member in Good Standing" shall mean a Member of the Association who is current in the payment of all Charges and Assessments imposed in accordance with the Association's Articles of Incorporation, Bylaws, recorded Declaration of Covenants, Conditions and Restrictions and Rules (collectively, the "Governing Documents"), and who is in compliance with all of the provisions of the Governing Documents. A Member shall be deemed to be "in good standing" unless, after notice to the Member and an opportunity for hearing, the Board has found the Member to not be "in good standing" and has so notified the Member in accordance with Civil Code section 1363(h).

Subject to the provisions of Article II, Section 2(d), the term 'Associate Members' shall mean certain persons who reside permanently in the units of the Association but who are not record owners of said units. The qualifications, rights and privileges of Associate Members are as set forth in Section 2(b) of this Article II.

The term "Associate Member in Good Standing" means an Associate Member who is in compliance with all of the provisions of the Governing Documents. Further, an Associate Member will automatically be deemed not to be "in good standing" upon a determination that the Member or Membership connected to or associated with such Associate Member is not in good standing.

Section 2. Qualifications for Membership.

(a) Each owner of record in the Office of the County Recorder of Monterey County, California, of a unit of the Association shall be a member of the Association, provided and excepting that:

(1) membership shall only continue for so long as such ownership shall continue;

(2) notwithstanding that record ownership of a unit may be held by more than one owner as joint tenants or as tenants in common, only one such joint tenant or tenants in common shall be a member entitled to vote;

(3) notwithstanding that the Association may own one or more units, the Association shall not be a member.

(b) Subject to the provisions of Article II, Section 2(d), authorized and qualified occupants, who are not owners of record, shall be associate members; provided that this shall not apply to occupants under lease or rental nor to persons authorized under Article III, Section 3(b)(5), of the Declaration of Restrictions. Associate members shall have all the rights and privileges of members except the right to vote, unless given such right in other provisions of these Bylaws. An associate member must have the qualifications of a member.

(c) When a unit is owned of record by one or more nonresidents, none of whom is an authorized occupant, the authorized occupant or occupants thereof shall be an associate member or associate members; provided, that such occupant or occupants shall have the qualifications of a member.

(d) When a unit is owned of record by a trust and the trustor or trustee of the trust is the authorized occupant, he, she, or they shall be members of the Association subject to the provisions of Article X of the Articles of Incorporation of the Association. Such trust may be a living trust or a testamentary trust.

(e) Situations not covered by the provisions of this Section 2 shall be subject to consideration by the Board of Directors for appropriate action.

Section 3. Termination of Membership.

When a person is no longer the record owner of a unit so as to qualify him for membership in the Association, his membership shall terminate.

Section 4. Death of a Member.

Membership in the Association shall not terminate upon the death of a member, but all of the rights of such member shall be exercised by his executor, administrator or other personal representative; provided, however, that if the unit owned of record by such deceased member which entitled such member to membership was owned as joint tenants or as tenants in common

with another or others who survive such member, then upon the death of such member the membership of such member shall terminate, and such other one or one of such other joint or common owners of record shall become the member entitled to vote.

Section 5. Membership Register and Evidence of Membership.

The Association shall keep a membership register containing the name and address of each member and associate member. The register shall be maintained by and kept in the custody of the Secretary.

ARTICLE III

VOTING RIGHTS AND MEMBERS' MEETINGS

Section 1. Voting Rights.

- (a) Qualifications for Voting. Only Members in Good Standing shall be allowed to vote. As long as any co-owner of a Unit is not in good standing, no vote shall be permitted for the Unit.
- (b) Voting by Members; Voting pursuant to Corporations Code 7513. All Membership votes shall be by “secret ballot” pursuant to Civil Code section 1363.03. Neither “absentee voting” nor voting by the method described in Corporations Code section 7513 shall be permitted.
- (c) Cumulative Voting. Cumulative voting is not permitted in the election of directors.
- (d) Proxies. “Proxy” shall mean a written authorization signed by a Member or a Member’s attorney in fact, giving another person or persons the power to vote for such Member, as defined in Corporations Code section 5069. Use of proxies in connection with Membership meetings and Membership votes is expressly prohibited.

Section 2. Annual Meeting.

Annual meetings of the members shall be held in the month of June, at a time scheduled by the Board of Directors. The annual meeting of the Members shall be for the purpose of opening, counting, and tabulating the ballots for the annual election of Directors and any other matters being voted on by the Members. No business other than tabulation of the ballots by the inspector(s) of election shall be conducted and there shall be no quorum requirement for Member attendance for any such meeting of the Members.

Section 3. Notice of Annual Meetings.

Written notice of each annual meeting stating the place, day and hour thereof and the matters to be voted upon shall be given in the manner prescribed in Article VIII, Section 4, of these Bylaws, not less than seven (7) days next preceding the date of such meeting, to each member of record entitled to vote. Any business properly coming before the meeting may be transacted at such meeting, whether or not it be mentioned in the notice.

Section 4. Special Meetings.

Special meetings of the members for any purpose or purposes whatsoever pertaining to the affairs of the Association may be held at any time whenever called by the President, or by the Board of Directors, or by members with at least twenty per cent (20%) of voting power of the Association. Every such call shall be in writing and shall state the purpose or purposes of the meeting. A special meeting of the members may be called by the Board of Directors whenever the Board of Directors shall have actual notice that a lease or transfer, in violation of Article III, Section 3, of the Declaration of Restrictions shall have been attempted or executed or when the Board of Directors shall have actual notice that any unit is being occupied by any person who has not met the requirements of Article III, Section 3(b), of the Declaration of Restrictions. A special meeting of the members may be called by the Board of Directors in order to consider whether the Association shall exercise the power given in Article III, Section 3(e), of the Declaration of Restrictions to purchase any units within the subject property at a foreclosure sale.

Section 5. Notice of Special Meetings.

Written notice of each special meeting of the members, stating the place, day and hour thereof and the matters to be voted upon, shall be given in the manner prescribed in Article VIII, Section 4, of these Bylaws not less than fifteen (15) days next preceding the date of each such special meeting, to each member of record entitled to vote.

Section 6. Place of Members' Meetings.

Annual meetings and special meetings of the members shall be held at the principal office of the Association, provided that the Board of Directors may designate a place upon or in the immediate vicinity of the subject property or some convenient place within a distance of not more than twenty-five (25) miles from said principal office as a place at which any annual or special meeting of the members may be held. The Board of Directors may fix the time and place of any such special meeting by resolution. In the absence of any designation of another place by the Board of Directors, annual and special meetings shall be held at the principal office.

Section 7. Quorum.

The quorum for any vote or election by the Members shall be one-third (1/3) of the total voting power of the Association, unless a higher number or percentage is expressly required by law, such as in Civil Code section 1366, which requires a quorum of more than fifty percent of the Members for certain votes concerning assessments.

Notice of any adjourned meeting of the members need not be given unless any such adjournment is for more than three (3) days, in which event notice shall be given in the manner prescribed in Article VIII, Section 4, of these Bylaws, not less than three (3) days prior to the date of such adjourned meeting. Members representing a majority of the voting power present in person shall have the power of adjournment even though a quorum be present. 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 from the meeting of voting power to leave less than a quorum.

Section 8. Qualification Dates.

The record date for the determination of members entitled to notice and to vote at any meeting of the members shall be the tenth day preceding the date of any such meeting.

Section 9. Special Qualification Circumstances.

(a) When a unit is owned of record by more than one person the owner entitled to vote shall be such one of such owners as both or all of them shall designate to the Association in writing. If this is not done, the Board of Directors may make the designation. The designation of the owner entitled to vote may be changed by written notice to the Association from both or all owners of the unit. Owners shown on the membership register as members entitled to vote at the time of adoption of this Section 9(a) shall continue in such status unless changed in accordance with the foregoing provisions.

(b) In the event of the death of an owner entitled to vote, where there is only one other owner of record of the unit, the other shall be recognized immediately as the one entitled to vote, regardless of delay or failure to change record title in the office of the County Recorder of Monterey County, California.

(c) When a unit is owned of record by three or more persons and the designated voter dies or is removed as an owner of record, the remaining owners shall give the Association written designation of another of the owners as the member entitled to vote. If this is not done, the Board of Directors may make the designation.

(d) When a unit is owned of record by only one person that person is the member entitled to vote, and any other qualified authorized occupant or occupants shall be an associate member or associate members.

(e) When a unit is owned of record in the names of a resident who is an authorized occupant and one or more nonresidents, the resident shall be the member entitled to vote unless all owners of the unit shall elect to designate in writing to the Association another of their number as the member entitled to vote. No such nonresident owner shall be an authorized occupant unless qualified and accepted as such.

(f) An executor or administrator of an estate in the process of probate shall have the right to grant authority to a resident beneficiary of the probate proceeding to exercise voting privileges.

Section 10. Address of Members.

It shall be the duty of each member to keep the Association advised as to his correct address.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Powers.

The powers of the Association shall be exercised by or under the authority of, and all of the affairs of the Association shall be controlled by, the Board of Directors, subject, however, to the rights of members provided for herein, in the Articles of Incorporation, and by law, and subject also to all of the restrictions, provisions and limitations contained in the Declaration of Restrictions.

Section 2. Number of Directors.

The Board of Directors shall consist of nine (9) directors, until changed by amendment of this section of these Bylaws fixing or changing such number; provided, however, that the authorized number of directors shall in no event be less than three (3).

Section 3. Nomination, Election and Term of Office.

Nomination Procedures, Generally. Nominations of candidates for election to the Board of Directors may be made by either a Nominating Committee or by self-nomination. The Board

may also solicit qualified candidates. Nomination by Membership petition is not required or permitted.

Qualifications for Nominations. All nominations shall be made from among Members in Good Standing or Associate Members in Good Standing who satisfy the qualifications set forth in the Bylaws and the Voting and Election Rules adopted by the Board.

Nominating Committee. The Board shall, as required by the Bylaws, appoint a Nominating Committee prior to any election of Directors. On or before the deadline for nominations, the Nominating Committee shall nominate as many candidates for election to the Board as it shall in its discretion determine, but shall endeavor to nominate not less than the number of positions on the Board that are to be filled in the election.

Self-nominations. Any member in Good Standing or Associate Member in Good Standing who satisfies the qualifications set forth in the Voting and Election Rules may place his or her name in nomination for election to the Board by giving written notice to the President or Secretary of the Association. Notice of self-nomination must be received prior to the deadline for nominations.

Deadline for Nominations. The deadline for nominations shall be set by the Board and shall be not less than thirty-five (35) and not more than forty-five (45) days prior to the date for mailing ballots for the election of Directors. All nominations must be received by the published deadline.

Publication of Deadline for Nominations. The date and time of the deadline for nominations shall be published at least thirty (30) days in advance of the deadline in an Association newsletter, or if there is no such newsletter, notice shall be given in one or more of the following manners: (i) by posting a notice in one or more prominent places within the Subject Property, (ii) by mailing or delivering a notice to each Unit, or (iii) by other means reasonably designed to provide actual notice to the Members.

Notice of Known Candidate Names. The names of all individuals known by the Board to be qualified candidates for election to the Board as of the published deadline for nominations shall be set forth on the ballot for election of Directors.

Election by Acclamation. If, as of the published deadline for nominations, the number of qualified candidates nominated is not more than the number of Directors to be elected, then the individuals nominated and qualified to be elected shall be declared elected and written notice of the election shall be given to the Members.

The Hacienda Carmel Community Association shall sponsor a candidate's reception.

At the annual meetings of the members, directors shall be elected to fill vacancies created by the expiration of terms of directors, as follows: four directors shall be elected for two-year terms at the 1978 annual meeting; five directors shall be elected for two-year terms at the 1979

annual meeting; and at each annual meeting thereafter directors shall be elected for two-year terms to fill the vacancies then occurring. Each director shall serve until his successor has been elected and qualified.

Directors can only serve a maximum of two consecutive terms of two years each.

Section 4. Place of Meetings.

Meetings of the Board of Directors may be held at the principal office of the Association or at such convenient place as may be designated from time to time for such meetings by a resolution of the Board of Directors at any regular or special meeting prior thereto. If the resolution of the Board of Directors designating the place for meetings so provides, any meeting may be held either at such place or at the principal office, as determined by the call and notice for the particular meeting. All meetings shall be held at the designated place, or in the absence of such designation, at the principal office.

Section 5. Vacancies.

All vacancies in the Board of Directors, including vacancies caused by an increase in the number of directors or by removal, resignation or death of a director, may be filled by a majority of the remaining directors though less than a quorum, or by a sole remaining director. Each director so appointed shall hold office thenceforth for the remainder of the unexpired term or for the term fixed in any action to increase the number of directors and until the election of his successor.

Section 6. Organization Meetings.

On the Thursday following the annual meeting of the members the directors shall meet without notice for the election of officers and the transaction of any other business that may properly come before the meeting. Pending such election of officers, the President and the Secretary shall hold over until their successors shall have been elected and qualified.

Section 7. Regular Meetings—Time.

A regular meeting of the Board of Directors shall be held each month at such time as the Board of Directors may fix by resolution from time to time. No notice of any regular meeting of the Board of Directors need be given.

Section 8. Special Meetings—Time.

Special meetings of the Board of Directors shall be held whenever called by the President, or any Vice President, or by a majority of the members of the Board of Directors.

Section 9. Notice of Special Meetings.

Notice of the time and place of each special meeting of the Board of Directors shall be given by the Secretary either personally or in the manner prescribed in Article VIII, Section 4, of these Bylaws. If a special meeting is to be held within less than twenty-four (24) hours after the hour of issuance of notice then the meeting must be one of emergency nature and the proceedings of such meeting shall not be valid unless all of the directors sign a waiver of notice prior to, at, or subsequent to such meeting. Any such waivers shall be filed in the corporate records. No notice of the purposes of any special meeting of the Board of Directors need be given, and unless otherwise indicated in the notice thereof any and all business may be transacted at a special meeting; provided, however, that business to be transacted may be limited by the notice to specific purposes.

Section 10. Quorum.

Subject to the provisions of Section 5 of this Article IV and Section 4 of Article V of these Bylaws, at all meetings of the Board of Directors a majority of the number of directors fixed by the Articles of Incorporation or Bylaws shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. A majority of the directors present at any meeting of the Board of Directors, whether a quorum shall be present or not, may adjourn the meeting from time to time, provided that no such adjourned meeting shall be held unless and until notice has been given as provided for special meetings in Section 9 of this Article IV, and provided further that the time so fixed shall not extend beyond the time for the next regular meeting of the Board of Directors.

Section 11. Compensation of Directors.

Directors as such shall not receive any salary or compensation for their services as directors, nor for any proposal involving the provision of services or contractual arrangements with the Association under the terms of which such director would profit; provided, however, that nothing herein contained shall be construed to preclude any director from serving the Association in any other capacity and receiving compensation therefor, subject to the limitation contained in Article V, Section 1, of these Bylaws.

Section 12. Qualifications; absences.

A director shall be a member or associate member of the Association, who has been a resident of the unit for at least one year. Any director who shall be absent from meetings of the Board of Directors for three (3) consecutive months may be considered as having resigned as a director, whereupon the Board of Directors by majority vote of a quorum may declare such directorship vacant and fill it as provided in Section 5 of this Article IV.

ARTICLE V

OFFICERS

Section 1. Officers.

The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Association may also have, at the discretion of the Board of Directors, one or more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Officers other than the President need not be directors. One person may hold two or more offices except that the President shall not also be the Secretary. The salaries or other compensation, if any, of all officers of the Association shall be fixed from time to time by the Board of Directors. Directors are not officers in their capacity as directors but may be chosen as officers.

Section 2. Election.

The officers of the Association, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article V, shall be chosen annually by the Board of Directors as provided for in Article IV, Section 6, of these Bylaws, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve.

Section 3. Subordinate Officers, etc.

The Board of Directors may elect or authorize the appointment of 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 the Bylaws or as the Board of Directors may from time to time authorize or determine. Members of any committee shall not be deemed to be subordinate officers or other officers of the Association.

Section 4. Removal.

Any officer may be removed by a majority of the Board of Directors at any regular or special meeting of the Board of Directors.

Section 5. Vacancies.

A vacancy in any office because of death, resignation, removal or any other cause shall be filled by action by the Board of Directors at a regular or special meeting as soon as feasible after occurrence of a vacancy, unless such vacancy is in a subordinate office which the Board of Directors may decide need not be filled.

Section 6. President.

The President shall be the chief executive officer of the Association and shall, subject to control of the Board of Directors, have general supervision, direction and control of the official actions and activities of the other officers. He shall preside at all meetings of the members and of the Board of Directors and shall have such other powers and duties as may be prescribed by the Board of Directors and these Bylaws, subject, however, to any limitations contained in the Declaration of Restrictions.

Section 7. Vice President.

In the absence or disability of the President, the Vice President, or if more than one, in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them, respectively, by the Board of Directors, or the Bylaws.

Section 8. Secretary.

The Secretary, as custodian for the Association, shall keep or cause to be kept at the principal office of the Association, or at such other place as the Board of Directors may order, a book of minutes of all meetings of the Board of Directors and of the members, showing the time and place of such meetings, whether regular or special, and, if special, how authorized, the notice thereof given (if notice is required), the names of those present at meetings of the Board of Directors, the number of memberships and votes present or represented at members' meetings, and all the proceedings of all meetings.

The Secretary as such custodian shall also keep or cause to be kept, at the principal office of the Association, or at such other place or places as the Board of Directors may order, a membership register showing the names of the members, associate members and other authorized occupants, and, by listing of the units owned, the number of votes to which each member is entitled.

The Secretary as such custodian shall also keep or cause to be kept at such place or places all other appropriate corporate records and files.

The Secretary shall give or cause to be given notice of all meetings of the members and of the Board of Directors in the manner prescribed in these Bylaws or by law. He 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 of Directors, Bylaws or the Declaration of Restrictions. He shall carry out all customary duties of a corporate secretary in appropriate cooperation with the other officers and the General Manager. In the absence or disability of the Secretary the functions of the office may be performed by any Assistant Secretary or any other person designated by the Board of Directors or by the President.

All materials from any election of directors or other membership voting, including used and unused ballots, tally sheets, and any other records, shall be turned over to the Secretary immediately after any such election or voting. The Secretary shall file tally sheets and any other election or voting materials in the corporate records, and shall destroy all voted or rejected ballots not sooner than forty (40) days and not later than fifty (50) days after any election or membership voting, unless otherwise directed by the Board of Directors, but the Board of Directors shall not order such destruction to be done sooner than said forty (40) days.

Ballots for any election shall be prepared by the Secretary, Candidates for directorships shall be listed on ballots in the order determined by lot by the Nominating Committee. In giving notice to members of the appointment of the Nominating Committee the Secretary shall include a statement that suggestions from members of persons to be considered for nomination for directorships should be given to the Chairman of the Nominating Committee within fourteen (14) days after the date of issuance of such notice. The Committee shall not consider any suggestions received subsequent to such period nor shall complete its slate prior to the expiration of such period.

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 and losses, and accounts of all charges to and payments by members. The Treasurer shall also maintain or cause to be maintained complete records of all assessments and charges levied and the liens, if any, securing the same under and pursuant to the provisions of the Declaration of Restrictions, the accounts thereof, the debits against which the same have been assessed, the dates upon which the same are due and upon which the same are delinquent, and a record of the payments thereof, as well as a record of notices of delinquency which have been recorded pursuant to the Declaration of Restrictions.

The Treasurer shall deposit or cause to be deposited all monies and other valuables in the name of and to the credit of the Association with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, shall render to the President or the Board of 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 of Directors or by the Bylaws.

The Treasurer shall conform to the practices for that office as established by the Board of Directors, as may be amended from time to time in conformity with the law and good business practice.

ARTICLE VI

COMMITTEES

Section 1. Standing Committees.

At the first regular meeting of the Board of Directors following the annual meeting of the members, or as soon thereafter as possible, the President, with the advice and consent of the Board of Directors, shall appoint members or associate members of the Association to serve on standing committees deemed necessary or desirable for the proper functioning of the Association. In making such appointments the President shall designate who is to serve as chairman of each committee. Each committee shall consist of three or more members. Insofar as practicable appointments to such committees shall include two or more carry-over members of the respective committees in order to maintain reasonable continuity of policies and programs. Unless re-appointed, committee members shall serve for a term of one year or until their successors are appointed and confirmed. Standing committees shall include, but not be limited to, the following:

(a) The Orientation Committee shall consist of an appointed chairman and members, and it shall elect a vice chairman from among its own members. The purpose and authority of the Orientation Committee are as follows:

1. To meet with new members to ensure they have received the controlling documents and Ground Rules of the Association and other pertinent disclosure summaries.

2. The Committee shall further provide advice with regard to the Contract for Operational, Maintenance and Personal Service, which each member signs for their unit and common areas. The Committee shall further ensure that new members are aware of their obligations to the Association.

(b) The Finance Committee shall consist of an appointed chairman, committee members and the Treasurer of the Association. A vice chairman and a recording secretary shall be appointed by the chairman. The General Manager shall serve as a consultant and advisor.

The responsibilities and authority of the Finance Committee are as follows:

1. To establish an ongoing evaluation program to monitor the financial health of the Association and bring matters requiring action to the attention of the Board of Directors.

2. To prepare a draft of an annual budget that projects expenditures for one year and contains estimates for the following year.

3. To review and report to the Board of Directors on insurance renewals, contracting procedures, including for Dining Room and Assisted Living Facility, employee staffing, rates charged and procedures for charging for private work, Guest House charges and costs and Beauty Shop rental and utility charges.

4. To review proposed non-routine expenditures monthly and make recommendations on approval/disapproval to the Board of Directors.

5. To establish a close coordination and cooperative relationship with the General Manager who will be responsible for insuring that the Finance Committee is furnished all statistics and information required to accomplish these functions.

All of these actions are to be accomplished in a timely manner to allow for a thorough study, and revisions, if required. To this end, the General Manager shall prepare a calendar of periodic actions and dates required.

(c) The Buildings and Grounds Committee shall consist of an appointed chairman and committee members and it shall elect a vice chairman from among its own members. The committee shall operate under the provisions of Article III, Section 2, of the Declaration of Restrictions governing "General Building, Architectural and Planning Requirements," and it shall be governed in all cases by the requirement that any proposed addition or modification of the structures of Hacienda Carmel shall not conflict with nor detract from the general architectural treatment of Hacienda Carmel as a whole, nor infringe upon the rights of members in the immediate neighborhood of the proposed addition or modification. The committee's functions shall include making recommendations to the Board of Directors or the General Manager, as may be appropriate, as to the maintenance or improvement of the buildings and grounds.

(d) The Activities Committee shall have for its purposes the arranging and/or conducting of appropriate cultural and entertainment activities or other appropriate pursuits and actions which are available to all members and associate members for general benefit and enjoyment. This committee shall be self-governing, subject to the general control of the Board of Directors and to any relevant provisions of the Declaration of Restrictions, Bylaws and Ground Rules. It shall maintain its own accounts and records, separate from those of the Association. However, the Committee will present a full written financial report to the Board of Directors at least fifteen (15) days prior to the annual meeting of the Association.

The Activities Committee shall consist of the members of its Executive Committee and the Chairmen of such subcommittees as may be desired for the purposes of the Activities Committee. Its Executive Committee, which may function between sessions of the full committee, shall consist of no more than nine persons, including the following officers of the Activities Committee: Chairman, one or more Vice Chairmen, Secretary and Treasurer.

Annually, immediately following the May meeting of the Activities Committee, the Executive Committee shall submit to the Board of Directors of the Association the name of a person who has consented to serve as Chairman. The Chairman, in consultation with the retiring Executive Committee, shall determine the personnel of the Executive Committee for the ensuing year. The Chairman and the new Executive Committee shall take office at the first scheduled

committee meeting in the month of July. Nothing herein shall be construed to prevent successive terms for members of the Activities Committee, if desired.

(e) The Investment Committee shall insure the safety of investment funds of the Association. The committee shall consist of the Association Treasurer as Chairman, the Board President as member, the Finance Committee Chairman as member, the General Manager as advisor and the Accountant as advisor. The President, with advice and consent of the Board, may appoint other members to the committee as deemed necessary.

Section 2. Nominating, Election and Other Temporary Committees.

Committees other than standing committees may be appointed by the President, with the advice and consent of the Board of Directors, to perform such specific duties as may from time to time be deemed necessary or desirable. In making such appointments, the President shall designate who is to serve as Chairman of each such committee.

Such committees shall include the Nominating Committee, and shall serve only until such time as the purpose for which they were appointed shall have been accomplished, and in any event for not more than one year unless reappointed.

The Nominating Committee shall consist of five committee members, including the Chairman, to be appointed annually at the regular March meeting of the Board of Directors.

A Chairman and a Vice Chairman of an Election Committee shall be appointed by the President, with the advice and consent of the Board of Directors, at the regular April meeting of the Board of Directors, to serve at the annual meeting of the members of the Association. It shall not have an ex officio member from the Board. Unless otherwise directed by the Board, other members of such committee shall be chosen by the Chairman. The Election Committee for the annual meeting shall operate in accordance with a nonpartisan general procedure established by the Board as a continuing policy. An Election Committee shall be appointed in like manner for any other meeting of the members of the Association at which a vote is to be taken; its makeup and general procedure shall be as determined by the Board. Any vacancy on any Election Committee may be filled by appointment by its Chairman; in event of a vacancy as Chairman or Vice Chairman those positions may be filled by appointment by the President.

Section 3. Action by Committees.

All committees shall operate under the general control and supervision of the Board of Directors. A member of the Board of Directors, designated by the President with the advice and consent of the Board of Directors, shall be assigned ex officio to each committee for coordination between the committee and the Board of Directors unless such position is not needed. A majority of a committee shall constitute a quorum. Agreement of a majority of a quorum shall be necessary to make a decision or recommendation of the committee effective. All committees shall keep records of their proceedings, which records may be destroyed when of no further value as determined by the Board of Directors. Ex officio members of committees shall not have the

right to vote therein except to break a tie, but they shall be entitled to a voice in the respective committees' deliberations.

ARTICLE VII

POWERS AND DUTIES OF THE ASSOCIATION

Section 1. Powers.

The powers of the Association extend to all property covered by the Declaration of Restrictions and are coextensive with the Declaration of Restrictions. The Association shall have the power to enforce all restrictions, limitations, conditions, covenants, servitudes, charges and liens created in the Declaration of Restrictions.

Section 2. Duties.

The Association shall have the duty and responsibility to enforce all restrictions, limitations, conditions, covenants, servitudes, charges and liens contained in the Declaration of Restrictions. The Association shall have the duty of management and control of the common area as defined in Article I, Definition 18, of these Bylaws, co-extensive with the powers of management in Article IV of the Declaration of Restrictions and Section 1 of this Article VII.

Section 3. Assessments and Collection of Charges.

(a) General Charges. The Board of Directors shall follow the procedures for assessment of general charges stated in Article IV, Section 4(a), of the Declaration of Restrictions in determining assessments against unit owners. The Board of Directors may delegate to the Finance Committee, or the President, or any other officer, the preparation of the annual estimate of cash requirements for the Association. After the Board of Directors shall have determined by resolution the amount of the assessment for general charges to be apportioned among unit owners, notice of said assessment shall be given to all members in the manner prescribed in Article VIII, Section 4, of these Bylaws, and any member shall be given an opportunity to protest any assessment which shall not be levied uniformly among all members according to their class of unit, as defined in Article IV, Section 4(a)(4), of the Declaration of Restrictions. The Board of Directors shall have the duty to enforce the payment of the charges thus assessed according to the procedures stated in Article IV, Section 4, of the Declaration of Restrictions.

(b) Special Charges. The Association shall be empowered to assess and collect special charges for services rendered on behalf of individual owners as described in Article IV, Section 4(b), of the Declaration of Restrictions. When and if the Association makes any payments on behalf of individual owners or members, as the Association is empowered to do in

Article IV, Section 1, of the Declaration of Restrictions, the Association shall recover the amount of such payment from the member or owner on whose behalf the payment was made, in the same manner as the Association shall recover other special charges. The procedure for collection of special charges shall be the same as for the collection of general charges as stated above.

Section 4. Enforcement of Restrictions as to Use of Property.

The Association shall have the duty to enforce the restrictions on use of property contained in Article III, Sections 1 and 2, of the Declaration of Restrictions. The Association shall use the following procedure in enforcing such restrictions:

Upon receiving written notice that any owner, member, or occupant is violating any of the restrictions contained in the Declaration of Restrictions, the Board of Directors shall investigate the reported violation, and upon a determination that any owner, member, or occupant is in violation of the Declaration of Restrictions, the Board of Directors shall give such owner, member, or occupant notice, in the manner prescribed in Article VIII, Section 4, of these Bylaws, demanding that said owner, member, or occupant immediately cease and desist from violation of the restricted use.

After the giving of the notice prescribed above, if the owner, member, or occupant fails or refuses to cease and desist from violation of the restricted use, the Board of Directors may, in the same manner, give notice to said owner, member, or occupant to appear before the Board of Directors at the time and place set forth in said notice and show cause why the Association should not invoke on behalf of the Association any and all legal and equitable remedies available in the Declaration of Restrictions to enforce the restrictions on use. If after such notice and appearance or opportunity for appearance, the owner, member, or occupant persists in engaging in violation of the restricted use, the Board of Directors shall invoke an appropriate legal or equitable remedy provided in the Declaration of Restrictions which shall compel the owner, member, or occupant involved to cease violation of the restricted use.

If no such remedy is available to prevent violation of the restricted use, the Association may exercise the right of re-entry for condition broken, as granted in Article VI of the Declaration of Restrictions.

Section 5. Enforcement of Restrictions as to Occupancy, Transfer, Leasing and Rental.

The Association shall have the duty to enforce the limitations on occupancy, transfer, leasing and rental contained in Article III, Section 3, of the Declaration of Restrictions. The following procedure shall be used in enforcing said section:

(a) The Board of Directors shall prepare or cause to be prepared a form or forms to be filled out by all prospective occupants of any unit located on the subject property who are required by Article III, Section 3(b), of the Declaration of Restrictions to obtain written consent of the Association before occupying any unit. Such form or forms shall require the prospective occupant to give background information as to occupation, education, offices held, honors, evidence of financial responsibility, health condition, character, interests and hobbies, and any other information which will aid the Board of Directors in determining whether the applicant is

of a cultural status conducive to the creation of congenial friendship and fraternization between and among the members of the Association. The same information shall be elicited from all prospective occupants except those under the provisions of Article III, Section 3(b)(5), of the Declaration of Restrictions and the similar provisions of these Bylaws.

(b) All applications for consent to occupancy and supporting reports shall be submitted to the Association through the General Manager, who shall note on each such paper the date of its receipt, and he shall refer promptly all such papers to the Membership and Occupancy Committee, except that applications under Article III, Section 3(b)(5), of the Declaration of Restrictions and the similar provisions of these Bylaws shall be referred by him directly to the Board of Directors.

(c) The Membership and Occupancy Committee shall examine all applications for consent to occupancy (including, but not limited to, credit, general financial and medical reports), which in the case of a married couple or others who would share occupancy of a unit shall include applications from each individual. At least two members of the committee shall interview all applicants before the committee shall pass on their applications.

The committee shall make a recommendation to the Board of Directors in each case as to whether or not consent to occupancy by the prospective purchaser (if said purchaser is to occupy) or lessee or any other proposed occupant shall be granted. Such recommendation shall be made in such time as to be fully consistent with the requirements of Article III, Section 3 (b)(4), of the Declaration of Restrictions. The committee need not require credit, general financial or medical reports as to proposed lessees unless such reports are desired by the committee or by the Board of Directors. The committee is not required to pass on applicants for special occupancy under the provisions of Article III, Section 3(b)(5), of the Declaration of Restrictions.

Within forty (40) days after completion of the submission of an application for consent to occupancy the Board of Directors shall enter a resolution either approving or disapproving such application and the applicant shall be notified promptly in writing by an authorized representative of the Association of the action taken. Any application not acted upon by resolution of the Board of Directors within such time shall be deemed to have been approved by the Association.

In event occupancy of a unit has not occurred within six (6) months after approval of occupancy by the Board of Directors, the Association, at its option, may require a new health certificate from the prospective occupant. If such new certificate is deemed by the Board of Directors to be unsatisfactory, the Board of Directors may revoke the consent to occupancy. Approval of occupancy under lease shall be only for the approved term of such lease. If an occupant under lease should seek occupancy under purchase of a unit, a new application for consent to occupancy, subject to the provisions of this Section 5, shall be required.

(d) The Board of Directors, upon an application from or on behalf of any owner or authorized occupant, may permit persons who would not otherwise be permitted to occupy units to reside in the unit of such owner or authorized occupant when necessary for the health of the owner or authorized occupant of such unit, as provided in Article III, Section 3(b)(5), of the Declaration of Restrictions. The Board of Directors, at its option, may require a physician's certificate as to the necessity for such health care.

(e) The Board of Directors may take such legal action as may be necessary to remove or eject from the subject property any person or persons who occupy or reside in any units thereon without compliance with this Section 5. Unauthorized occupancy of any unit is a violation of the restrictions and limitations of the Declaration of Restrictions, and the Board of Directors, upon notice of any violation thereof, may deal with such violation in the manner provided for in Section 4 of this Article VII.

(f) The Board of Directors shall not permit any owner of any unit located on the subject property to transfer, lease or rent such unit without compliance with Article III, Section 3(c), of the Declaration of Restrictions; provided, however, that this shall not apply to persons who already are members or associate members who wish to buy another unit for their occupancy.

(g) The Board of Directors shall prepare or cause to be prepared a waiting list to be filled out by all unit owners who desire to lease their unit(s), pursuant to Article III, Section 3(c), of the Declaration of Restrictions. Units shall be approved for leasing on a first come, first served basis, provided the unit owner has complied in full with the provisions of this Section 5 and Article III, Section 3(c), of the Declaration of Restrictions.

(h) Before contracting to transfer or lease any unit, the owner or prospective occupant thereof shall cause to be delivered to the Association the following: (1) name, address, general financial report and credit report of the prospective purchaser and medical report on the prospective occupant or occupants; (2) application for consent to occupancy by each prospective occupant, in the form prescribed by the Board of Directors, provided that lessees need not be required to furnish credit, general financial and health reports unless requested by the Association; (3) complete copy of any proposed lease; and (4) if requested by the Association, a complete copy of the proposed transfer contract or deed. No lease for a period of more than thirty (30) days shall become effective without the written approval of the Association.

(i) Upon receipt of the papers required under the foregoing subsection (g) the Membership and Occupancy Committee shall conduct its interview with the applicant (if such interview has not been held already) and then shall make its recommendation for approval or disapproval to the Board of Directors. If the Board of Directors approves the proposed occupancy and approves a proposed lease, a clearance shall be issued to the applicant by an authorized representative of the Association. Such clearance shall constitute a waiver of any powers which the Association may have to purchase the unit being transferred or leased, or to prevent or enjoin the transfer or lease of the unit; provided, however, that the Association shall have the power and duty to enforce against such owner, transferee or lessee all restrictions, limitations, covenants and conditions in the Declaration of Restrictions.

(j) Any transfer, lease or rental which does not comply with the provisions of this Section 5 is in violation of Article III, Section 3(c), of the Declaration of Restrictions, and the Board of Directors may take action under Section 4 of this Article VII against the transferors, lessors or renters, or the Board of Directors may call a special meeting of the members to consider exercise of the option to purchase given to the Association in Article III, Section 3(d), of the Declaration of Restrictions.

(k) Upon receiving information that any owner proposes to transfer, lease or rent a unit in violation of Article III, Section 3(c), of the Declaration of Restrictions or of this Section 5, or upon receiving information that a transferee, lessee or renter has taken possession of any unit located on the subject property under a contract of sale, deed, or lease or rental agreement not made in compliance with Article III, Section 3(c), of the Declaration of Restrictions or this Section 5, the Board of Directors may call a special meeting of the members. Such special meeting shall be called within sixty (60) days after the receipt of such information as to the proposed transfer, lease or rental or within fifteen (15) days after the receipt of information of such taking of possession, whichever is later. The Board of Directors shall submit any proposed resolution to purchase to a vote of the members attending such meeting. Any such resolution must be approved by a majority of a quorum of the meeting. Voting at such a special meeting shall be subject to the same provisions of these Bylaws as govern voting at all other meetings of the members.

(l) Upon such approval of a resolution to purchase any unit in the manner described above, the Board of Directors shall give notice to all owners and members in the manner prescribed in Article VIII, Section 4, of these Bylaws that the Association will purchase such unit. The Board of Directors shall then take such steps as are necessary to effectuate the purchase in accordance with Article III, Section 3(d), of the Declaration of Restrictions.

(m) All costs of such purchase shall be assessed equally to the owners of all units as a special charge and shall be collected in the manner prescribed in Section 3 of this Article VII.

(n) Article III, Section 3(e), of the Declaration of Restrictions grants the Association power to purchase a unit at a foreclosure sale. When such foreclosure sale is brought for the purpose of enforcing a judgment lien or other encumbrance in favor of the Association, the Board of Directors, without submitting the proposal to a vote of the members, may authorize bidding on behalf of the Association at such foreclosure sale, without cash, up to the amount of the Association's claim including costs and accrued interest to the date of sale. If the bid is to be for more than the Association's claim, the procedure in this Section 5 must be followed.

Section 6. Business and Management.

Article IV, Section 1, of the Declaration of Restrictions provides that certain management functions of the common area and the subject property shall be exercised by the Association. The Board of Directors shall be responsible for assuring that the officers of the Association carry out the duties of such management.

The Board of Directors shall delegate the responsibility for performing management functions. The Board of Directors shall determine the salaries, if any, which the officers of the Association shall receive. The Board of Directors is empowered to employ persons who are not members of the Association to manage the business affairs of the Association or to care for and maintain the common area.

Section 7. Annual Report to Members.

The Board of Directors shall present at each annual meeting of the members a statement of the business affairs and financial condition of the Association as of the end of the previous fiscal year, together with any other information pertinent to the interests of the members. Such statement shall be published with the minutes of the annual meeting, and a copy thereof shall be given to any member requesting the Secretary for it.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

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, and any and all securities owned or held by the Association requiring signature for transfer, 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 of Directors.

Section 2. Contracts—etc.—How Executed.

The Board of Directors, except as in these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, or the General Manager, to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances; and unless authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association to any contract or engagement, or to pledge its credit or to render it liable for any purpose or to any amount.

Section 3. Inspection of Corporate Records.

The membership register, the books of account and the minutes of proceedings of the members and directors and other corporate records shall be open to inspection by any director upon demand at any reasonable time and to inspection by any member upon the written demand of any such member at any reasonable time for a purpose reasonably related to his interest as a member, and shall be exhibited at any time when required by the demand of ten percent (10%) of the voting power of the members represented at any members' meeting. Such inspection may be made in person or by an agent or attorney and shall include the right to make extracts. Demand of inspection by any member other than at a members' meeting shall be made in writing upon the President, Secretary or Assistant Secretary of the Association. Every such demand, unless granted, shall be referred by such officer to the Board of Directors.

The Association shall keep in its principal office for the transaction of business the original or true copy of the Articles of Incorporation of the Association, as amended, the original or a true copy of these Bylaws, as amended, and the original or a true copy of the Declaration of Restrictions covering property subject to the jurisdiction of the Association, as amended, each of which documents shall be open to inspection by the members during reasonable business hours.

Section 4. Notices.

Any notice to members or directors that these Bylaws require to be given may be given by placing such notice in the Association mailboxes in Casa Central of the respective units of such members or directors. This shall apply to units owned in the names of nonresident members unless such members shall, in writing, request the Secretary to address them otherwise. If notice is not given to members or directors in person, it shall be deemed to have been given at the time of being placed in such mailbox or otherwise addressed as requested. It shall suffice to show that due notice of any meeting of the members or of the Board of Directors was issued if written affirmation to that effect is given by the Secretary or by an Assistant Secretary or by the President.

Section 5. Defective Notices.

Any mistake, inadvertence or excusable neglect in giving any notice required by these Bylaws shall not affect the validity of any meeting called thereby, or of any proceedings had at such meeting.

Section 6. Headings and Titles.

All headings and titles used in these Bylaws, including those of Articles, Sections and subsections, are intended solely for convenience of reference, and the same shall not, nor shall any of them, affect that which is set forth in such Article, Section or subsection, nor any of the terms or provisions of these Bylaws nor the meaning thereof.

Section 7. Ground Rules.

Subject to the limitations contained in the Declaration of Restrictions, the Board of Directors may from time to time make, establish, publish, promulgate, amend and repeal Ground Rules, and enforce the same by establishing and collecting fines for the violation thereof, governing the use of the property, and any part or portion thereof, subject to the jurisdiction of the Association and the conduct of members and the occupants of each unit embraced within the property subject to the jurisdiction of the Association; which Ground Rules, and each of them, shall be binding equally upon each and every member and each and every occupant of such unit.

Any fine or fines established for the violation of any Ground Rule or Ground Rules shall be established and apply equally in amount and application to all persons. A current record of all Ground Rules, as amended from time to time, and a record of the amount of any fines established

for the violation thereof, shall be kept by the Secretary of the Association and shall be available to any member at any reasonable time.

Section 8. Fiscal Year.

The Association's fiscal year shall begin on May 1 and end on April 30 annually.

Section 9. Contract for Operation, Maintenance and Personal Service.

The Board of Directors shall adopt and from time to time may amend or revise a Contract for Operation, Maintenance and Personal Service. Each owner of record shall sign such contract, and in the case of a married couple it shall be signed by both spouses even if record title stands only in the name of one of them. It shall not be sufficient for an authorized occupant who is not a record owner of a unit to sign such contract but such occupant may sign provided the contract is signed by the record owner or owners. Such contracts shall be signed for the Association by the General Manager, the Secretary, an Assistant Secretary or the Assistant Manager. Whenever the contract form may be amended or revised such changed form shall be binding only on members who thereafter sign such form.

Section 10. Trusteeship of Reserves and Certain Other Funds.

The Board of Directors shall act as trustee for such reserve funds as may from time to time be desirable and as trustee for funds which may be held by the Association on behalf of members. Reserve funds shall include, but not by way of limitation, the Reserve for Restoration and Replacements (formerly designated under various other titles) and the Appreciation Fund. Reserve funds as authorized in Article IV, Section 4(a)(1), of the Declaration of Restrictions may be derived from general charges and assessments or such other sources as may properly be available. The Board of Directors shall have authority and responsibility to establish rules and policies for the handling of such reserve funds, including any appropriate change of designated title. Funds held in trust on behalf of members shall include, but not by way of limitation, advance collection of real estate property tax payments, sewer bond charges and tax payments on commonly owned personal property of the Association for such members as may desire to have the Association handle such collections. The Association shall be responsible for timely payment of bills for such taxes and bond charges.

Section 11. Indemnity of Directors and Officers.

Subject to the requirements of the California Nonprofit Corporation Law, each person, now or hereafter a Director or officer of the Association, shall be indemnified by the Association against all expenses and liabilities imposed upon or reasonably incurred by him in connection with or resulting from any action, suit, or proceeding hereafter commenced to which he may be made a party by reason of being or having been a Director or officer of the Association (whether or not a Director or officer at the time such expenses and liabilities are imposed or incurred), to include, but not to be limited to, judgments, court costs, and attorneys' fee, or the cost of reasonable settlement. However, the Association shall not indemnify any Director or officer in

relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable because of negligence or misconduct in the performance of his duties as such Director or officer, or in relation to any expenses or payments in settlement unless and until approved by the Board of Directors. The right of indemnification herein provided shall not be exclusive of other rights to which any such person may be entitled as a matter of law.

Section 12. Authorized Occupants.

A person who has been recognized as an "authorized occupant" other than a member or associate member, by specific action of the Board of Directors as provided for in Article II, Section 2(f), of these Bylaws, who may become a record owner of a unit and hence a member, shall be subject to occupancy approval under the provisions of Article VII, Section 5, of these Bylaws.

ARTICLE IX

DURATION AND DISSOLUTION

The Association shall continue in existence so long as the Declaration of Restrictions shall apply to the subject property.

ARTICLE X

AMENDMENT OF BYLAWS

These Bylaws may be amended or repealed and new Bylaws may be adopted by the vote or written consent of members entitled to exercise a majority of the voting power, and, subject to such right of the members, by the Board of Directors; provided, however, that no Bylaw or amendment thereof changing the authorized number of directors may be adopted, amended or repealed by the Board of Directors; and provided further that no amendment or repeal of all or any part of Article I, or Article II, or Section 1, Section 4 or Section 7 of Article III, or Section 1 of Article IV, or Article VII, or Article IX, or of this Article X, of these Bylaws, or of any portion of said article or sections, shall become effective without the vote or written consent of members holding at least a majority of the voting power of the Association; and provided further that no amendment shall be made of these Bylaws which is inconsistent with the Declaration of Restrictions or with the Articles of Incorporation.