



**UNIVERSAL VACATION CLUB**

**AMENDED AND RESTATED**

**RULES AND REGULATIONS**

**ARTICLES OF INCORPORATION**

**BYLAWS**

**Effective as of  
October 8, 2005**

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**AMENDED AND RESTATED  
UNIVERSAL VACATION CLUB RULES AND REGULATIONS**

These Amended and Restated Rules and Regulations hereby entirely amend, restate, and supersede all previously adopted Rules and Regulations for the Universal Vacation Club and were approved by the Board of Directors of the Club pursuant to Section 9.01 hereof.

The following Rules and Regulations have been established for the benefit of all Members.

The objective of these Rules and Regulations is to establish the rights and obligations of both the Club and the Members with respect to the Members' use of the Projects and to comply with regulations of various countries which may apply to the Projects.

**Article I. DEFINITIONS**

Except as otherwise defined in these Rules and Regulations, the terms used herein shall have the same meanings as set forth in the Bylaws.

**Section 1.01 Articles**

Means the Articles of Incorporation of the Club as the same may be amended from time to time.

**Section 1.02 Assessments**

Means the charges against a particular Member and his or her Membership pursuant to Article VI of these Rules and Regulations and includes "Maintenance Assessments," "Special Assessments" and "Personal Charges" as defined in Sections 1.19, 1.35 and 1.27, respectively, of these Rules and Regulations.

**Section 1.03 Board**

Means the Board of Directors of the Club.

**Section 1.04 Bylaws**

Means the Bylaws of the Club adopted by the Board as the same may be amended from time to time.

**Section 1.05 Calendar Year**

Means the one-year period commencing on January 1<sup>st</sup> and ending on December 31<sup>st</sup> of each year.

**Section 1.06 Check-In Time and Check-Out Time**

Means the time a Member may check into the Project at the beginning of a Week and the time a Member must check out of the Project at the end of a Week. Check-in Time shall be four o'clock p.m., local time, on the Member's check-in day established pursuant to the Member's Membership Certificate and pursuant to these Rules and Regulations. Check-out Time shall be eleven o'clock a.m., local time, on the seventh day following the Member's check-in day.

#### **Section 1.07 Club**

Means Universal Vacation Club, a California nonprofit mutual benefit corporation, or any successor in interest by merger or by express assignment of the rights of the Club hereunder.

#### **Section 1.08 Club to Club Partnership**

Means the partnership with additional clubs, giving Members the opportunity to use specified resorts within the partnership group.

#### **Section 1.09 Common Areas**

Means all portions of the Project other than the interiors of the Units. The recreational facilities located in the Common Areas include, but are not limited to, swimming pools, hot tubs, poolside furniture, tennis courts, health spa, a fitness and exercise facilities, and barbecue facilities. The use and maintenance of these facilities and services shall be administered by the On-Site Manager and is subject only to disruptions in use for maintenance, repair or improvement.

#### **Section 1.10 Common Furnishings**

Means all furniture, furnishings, appliances, fixtures, equipment, telephone systems and all other personal property which comprises a part of each Unit. The Units shall be furnished and decorated to a satisfactory standard as determined by the Board of Directors. In all cases, the furniture and appliances shall be maintained in a state as originally furnished and to a level acceptable to the Board of Directors for the category of the Project. All Units shall have sufficient bedding, chairs, couches, tables, lighting, appliances, outdoor furniture, and kitchenette facilities to accommodate the maximum occupancy limit of the Unit.

#### **Section 1.11 Developer Member**

Means the holder of a Developer Membership as defined in the Bylaws.

#### **Section 1.12 Exchange Program**

Means a service provided by an independent organization whereby Members may exchange their Weeks in the Project and Unit size specified on their Membership Certificate for time periods in projects in other locations, and Exchange Users may exchange time in other projects for Weeks in the Project.

#### **Section 1.13 Exchange User**

Means an owner of a time period in another program or project who uses the lodging rights and services in a Unit and uses the Common Area pursuant to an Exchange Program.

#### **Section 1.14 Fixed Week Membership**

Means a Membership pursuant to which the Member has a right to reserve lodging rights and services during a specified Week.

**Section 1.15 Floating Week Membership**

Means a Membership pursuant to which the Member has a right to reserve lodging rights and services during a specified Season.

**Section 1.16 Initial Reservation**

Means the first reservation made by a Member for lodging services at a Project during a given Calendar Year.

**Section 1.17 Internal Exchange**

Means a reservation by the owner of a Premier Membership for lodging services at any Project other than the Member's Primary Use Resort, or a reservation by an owner of a Gold Membership for lodging services at the Villa del Mar Project.

**Section 1.18 Internal Reservation**

Means a reservation by a Member for lodging services at the Project named in the Member's Membership Certificate as the Project which the Member is entitled to use, the Member's Primary Use Resort, (with respect to Premier Memberships), or at any Project except the Villa del Mar Project (with respect to Gold Memberships).

**Section 1.19 Maintenance Assessment**

Means the annual fee each Member is required to pay to the Club to cover the cost of services provided by the Club.

**Section 1.20 Maintenance Period**

Means, with respect to each Unit, the one (1) Week during each Calendar Year reserved by the Club for the maintenance, service and repair of that Unit. The Club shall designate one (1) Week per year as the Maintenance Period for each Unit.

**Section 1.21 Management Fee**

Means the annual fee paid by the Club to the Project Manager pursuant to the management agreement ("Management Agreement") between the Club and the Project Manager to provide for the on-site operation, management and maintenance of the Project. This term is more specifically defined in Article V hereof.

**Section 1.22 Member**

Means the owner of a Membership in the Club who has purchased the Membership for the purpose of exercising the lodging rights granted thereunder, or a Developer Member who has the rights granted in the Bylaws and these Rules and Regulations.

**Section 1.23 Memberships**

Means the status of a holder of a Membership Certificate as a Member of the Club. There are different types of Memberships as described in the Bylaws.

**Section 1.24 Membership Certificate**

Means a certificate issued which shall specify all of the following information: (a) the name of the person(s) to whom it is issued; (b) the type of Membership; (c) the Member's Primary Use Resort (with respect to Premier Memberships) or the Project in which the

Member is entitled to lodging services, or that the Member is entitled to use any Project excluding the Villa del Mar Project (with respect to Gold Memberships); (d) the Unit Type and maximum occupancy of the Unit Type; (e) whether it is a Fixed Week Membership or a Floating Week Membership; (f) the Season (with respect to Floating Week Memberships) or Week (with respect to Fixed Week Memberships) in which the Member is entitled to lodging services; and (g) with which voting class a Gold Member shall vote. The Club shall issue and sell no more than the product of fifty-one (51) Memberships times the total number of Units in all Projects. Each Membership shall be evidenced by a Membership Certificate.

#### **Section 1.25 Off-Site Manager**

Means the professional management company or individual hired to perform the duties and activities relating to the off-site management, operation and maintenance of the Club's activities and the Club Membership program.

#### **Section 1.26 Permitted User**

Means any person of twenty-five (25) years or more occupying a Unit in the Project or through any Member including, but not limited to, such Member's family, guests, licensees or invitees. A Permitted User may include a person under twenty-five (25) years of age if a US\$500.00 security deposit is paid to the Club prior to occupancy of the Unit. Any act or omission of a Permitted User shall be deemed the act or omission of the Member by or through whom such Permitted User occupies the Unit.

#### **Section 1.27 Personal Charges**

Means a charge against a particular Member and his or her Membership, directly attributable to, or reimbursable by, the Member, equal to the costs incurred by the Club for corrective action performed pursuant to the provisions of Article VI of these Rules and Regulations, or a reasonable fine or penalty assessed by the Club, plus interest and other charges thereon as provided for in these Rules and Regulations. Personal Charges shall also include telephone charges, and other special services or supplies attributable to the occupancy of a Unit during such Member's Week.

#### **Section 1.28 Primary Use Resort**

Means the Project named in the Member's Membership Certificate as the Project which the Member is primarily entitled to use.

#### **Section 1.29 Project**

Means any resort community which the Club now or hereafter owns or has rights to use.

#### **Section 1.30 Project Manager**

Means the company which shall be responsible for the on-site operation, management and maintenance of the Project, including the Units and the Common Areas, pursuant to the Management Agreement. The terms "Project Manager" and "On-Site Manager" refer to the same entity with respect to these Rules and Regulations.

### Section 1.31 **Property**

Means, with respect to each Project, the real property on which the Project is located, together with all improvements thereon.

### Section 1.32 **Reservation Deadline**

Means, with respect to a Fixed Week Membership only, the date sixty (60) days before the first day of the Member's Fixed Week in that current year. The Reservation Deadline for Floating Week Memberships for Summer Season Weeks are as follows: Villa Del Mar (July 15<sup>th</sup>); Villa Del Palmar, Puerto Vallarta (August 1<sup>st</sup>); Villa Del Palmar, Cabo San Lucas (August 15<sup>th</sup>); Gold Membership (September 1<sup>st</sup>). The Reservation Deadline for Floating Week Memberships for Winter and Holiday Season Weeks are as follows: Villa Del Mar (September 15<sup>th</sup>); Villa Del Palmar, Puerto Vallarta (October 1<sup>st</sup>); Villa Del Palmar, Cabo San Lucas (October 15<sup>th</sup>); Gold Membership (November 1<sup>st</sup>). All Vacation Banked Weeks must also comply with the applicable Reservation Deadlines each Calendar Year.

### Section 1.33 **Seasons**

"Seasons" means any of the following three seasons:

Winter Season: Weeks 1-17 and weeks 44-50, inclusive.

Summer Season: Weeks 18-43, inclusive.

Holiday Season: Weeks 51-52, inclusive.

### Section 1.34 **Service Period**

Means, with respect to each Unit, the five (5) hour time period between Check-Out Time and Check-In Time reserved by the Club for the maintenance, cleaning and repair of the Unit and Common Furnishings.

### Section 1.35 **Special Assessments**

Means a charge levied against each Member if for any reason the annual Maintenance Assessment is or will become inadequate to meet all expenses incurred by the Club in any given year in accordance with Article VI, Section 6.06 of these Rules and Regulations.

### Section 1.36 **Unit**

Means one of the condominium units in the Project, including the Common Furnishings contained therein, reserved for the use of Members who have purchased Memberships in the Club.

### Section 1.37 **Unit Type**

Means the type of Unit designated in a Member's Membership Certificate.

### Section 1.38 **Vacation Bank**

Means the system or program maintained by the Club to allow Members to save unused Weeks for use in later years.

### Section 1.39 **Vacation Borrow**

Means the system or program maintained by the Club to allow Members to borrow future years Weeks for use in the current year.

### Section 1.40 **Week**

Means the time period designated in a Member's Membership Certificate during which the Member has the exclusive right to lodging services in a Unit in accordance with these Rules and Regulations and the Bylaws. With respect to Villa del Mar, Villa del Palmar Cabo, Flamingo Resort and/or any other added Project Fixed Week Memberships, each Week shall consist of a period of seven consecutive days and shall commence each Saturday at four o'clock p.m. local time and shall terminate at eleven o'clock a.m. local time on the following Saturday.

With respect to Villa del Palmar Vallarta Memberships, each Week shall consist of a period of seven consecutive days and shall commence each Saturday or Sunday at four o'clock p.m. local time and shall terminate at eleven o'clock a.m. local time on the following Saturday or Sunday, as specified in the Member's Membership Certificate.

With respect to Villa del Palmar Vallarta and Premier Memberships designated in "Building G", each Week shall consist of a period of seven consecutive days and shall commence each Saturday at four o'clock p.m. local time and shall terminate at eleven o'clock a.m. local time on the following Saturday.

With respect to Premier, Gold, Villa del Palmar Cabo, Flamingo Resort and/or any other added Project Floating Week Memberships, each Week shall consist of a period of seven (7) consecutive days commencing at four o'clock p.m. local time on the Member's check-in date (pursuant to the reservation procedures established under these Rules and Regulations) and terminating at eleven o'clock a.m. local time seven (7) days thereafter or the Week may be split into two (2) separate stays in accordance with the terms and provisions of these Rules and Regulations provided the stay includes a Saturday or Sunday.

The Weeks of each year shall be numbered consecutively. For Villa del Mar, Villa del Palmar Cabo, Flamingo Resort, and/or any other added Project Fixed Week Memberships, Week number 1 shall be the Week commencing on the first Saturday in January, and Week number 52 shall be the Week commencing on the last Saturday in December. For Villa del Palmar Vallarta Memberships, Week number 1 shall be the Week commencing on the first Saturday or Sunday in January, and Week number 52 shall be the Week commencing on the last Saturday or Sunday in December. For Premier, Gold, Villa del Palmar Cabo, Flamingo Resort, and/or any other added Project Floating Week Memberships, Week number 1 shall be the Week commencing on the first Thursday, Friday, Saturday, Sunday or Monday in January, and Week number 52 shall be the Week commencing on the last Thursday, Friday, Saturday, Sunday or Monday in December. Each owner of a Floating Holiday Season at Villa del Palmar Cabo, Flamingo Resort, and Villa del Palmar Puerto Vallarta, and/or any other added Project, may select a check in date in accordance with these Rules and Regulations, provided however, that the Week shall only include one holiday date within the requested Week, either Christmas

Day or New Year's Day. Each Member shall be provided with a calendar which shows the Weeks for each year throughout the term of that Member's Membership.

## **Article II. Lodging Rights and Restrictions**

### **Section 2.01 Lodging Rights and Services**

Subject to all the terms and conditions contained in a Member's Membership Certificate and in these Rules and Regulations, (i) each owner of a Fixed Week Membership shall have exclusive lodging rights and services, for each Fixed Week Membership owned, in a specific Unit, and the non-exclusive right to use and enjoy the Common Areas during the one (1) specific Week each calendar year that such Member has purchased pursuant to such Member's Membership Certificate; and (ii) each owner of a Floating Week Membership shall have the exclusive right, for each Floating Week Membership owned, to reserve and receive lodging rights and services in a Unit of a designated Unit Type for (1) Week each calendar year during a designated Season pursuant to such Member's Membership Certificate. Members may exchange Weeks with other Members of the Club (including without limitation Villa del Mar Members) or with members of other vacation clubs approved by the Board of Directors of the Club. Any such internal exchange shall be in accordance with procedures established by the Club from time to time. Members shall be notified in writing of such procedures by the person or entity designated by the Club to coordinate such internal exchange programs. All Premier Memberships shall be deemed to be "Floating Week Memberships."

### **Section 2.02 Lodging Restrictions**

Each Member or Permitted User shall keep the Unit in which he or she has lodging rights and the Common Furnishings therein in good condition during his or her Week, vacate the Unit at the expiration of his or her Week, remove all persons and personal property therefrom (except the Common Furnishings), leave the Unit and the Common Furnishings therein in good and sanitary condition and otherwise comply with such checkouts and other regulations as may be contained in these Rules and Regulations. Any charges for damage or loss caused by a Member or his or her Permitted User will be charged to the Member as a Personal Charge as defined in Article VI below, and non payment of such a charge will be cause for suspension of such Member's Membership privileges until such charge has been paid, and provided that the Member has been provided a noticed hearing pursuant to the Club Bylaws. Each Member should report any damage or deterioration of his or her assigned Unit or its Common Furnishings to the Project Manager as soon as possible after checking in. Except as required to prevent damage or injury to persons or property in an emergency, no Member shall make or authorize any alterations to a Unit or its Common Furnishings; paint or otherwise refinish or redecorate the inner surfaces of the walls, ceilings, floors, windows or doors bounding any Unit; or remove, alter or replace any portion of the Common Furnishings without the prior written consent of the Project Manager. No animals shall be allowed or kept in or upon any Unit.

### **Section 2.03 Failure to Vacate**

If any Member or Permitted User fails to vacate a Unit at Check-Out Time at the end of his or her Week, or otherwise makes unauthorized use of a Unit during a period other

than his or her Week, or prevents another Member, Permitted User, Exchange User or other authorized user (the “Detained Member” or “Detained User”) from using his or her lodging rights and services in a Unit during the Detained Member’s Week, such Member (the “Detaining Member”) or Permitted User (the “Detaining User”) shall (a) be subject to immediate removal, eviction or ejection from the Unit wrongfully used; (b) be deemed to have waived any notice required by law with the respect to any legal proceedings regarding removal, eviction or ejection; (c) reimburse the Project Manager and the Detained Member or Detained User for all costs and expenses incurred by him or her as a result of such conduct, including, but not limited to, costs of alternate accommodations, travel costs, court costs and reasonable attorney’s fees incurred in connection with removing, evicting or ejecting the Detaining Member or Detaining User from such Unit and costs (including reasonable attorney’s fees) incurred in collecting such amounts; and (d) pay to the Detained Member or the Detained User entitled to lodging rights and services in the Unit during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth in Section 2.03 (c) above), a sum equal to two hundred percent (200%) of the fair rental value per day of the Unit for each day or portion thereof, including the day of surrender, during which the Detaining Member or Detaining User prevents the use of lodging rights and services in the Unit. The Club shall be responsible for determining the “fair rental value” of a Unit. “Fair rental value” for a Unit shall be based upon the costs of renting comparable accommodations located in the vicinity of the Project. The Project Manager shall use reasonable efforts to remove such Detaining Member or Detaining User from the Unit, to assist Detained Member or Detained User in finding alternate accommodations during such holdover period, or to secure, at the expense of the Club, alternate accommodations for any Detained Member or Detained User. Such alternate accommodations shall be as near in value to the Detained Member’s or Detained User’s Unit as possible and the cost thereof shall be assessed to the Detaining Member as a “Personal Charge” (as hereinafter defined). If the Project Manager, in its sole discretion, deems it necessary to contract for a period greater than the actual period for which the permitted use is prevented, in order to secure alternate accommodations as set forth above, the cost of the entire period shall be assessed to the Detaining Member as a Personal Charge. By accepting issuance of a Membership Certificate, each Member agrees that, in the event of a wrongful occupancy or use by such Member or his or her Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes a fair compensation to those who are deprived of the use of their lodging rights. If a Member or his or her Permitted User by intentional or negligent act renders a Unit uninhabitable for one or more successive Weeks, or any portion thereof, then (i) such Member shall be deemed a Detaining Member, (ii) the foregoing provisions of this Section 2.03 shall apply and (iii) such Member shall be liable to any Member or Permitted User during any such successive Week just as if such Member had refused to vacate the Unit at the end of his or her Week. For the purposes of this Section, the act, omission, or negligence of a Permitted User shall be deemed to be the act, omission or negligence of the Member authorizing the Permitted User to use such Member’s Membership rights.

#### **Section 2.04 Maximum Occupancy Limitations**

The maximum number of persons allowed to occupy each Unit Type shall be as follows:

**Type E (Small/Hotel Studio) – two (2) persons**

1. Type F (Large Studio) – four (4) persons (Two adults and two children)
2. Type G (One Bedroom) – four (4) persons
3. Type H (Two Bedroom) – six (6) persons
4. Type I (Three Bedroom) – eight (8) persons

Such occupancy limitations apply only to use by a Member and not by any Exchange User. Occupancy limitations imposed on an Exchange User shall be in accordance with the requirements of the applicable exchange organization. In the event a Member or Permitted User arrives at the Project and attempts to register persons in excess of the maximum number allowable for their Unit Type, the Project Manager, in his or her sole discretion, may allow one additional person to be accommodated in said Unit Type. However, the Member or Permitted User will be levied a Personal Charge for that additional person for providing additional towel, linen, bedding, and maid service. In the event a Member or Permitted User arrives at the Project and attempts to register more than one person in excess of the maximum number allowable for their Unit Type or the Project manager declines to accommodate any extra persons, the Member or Permitted User may rent an additional unit, if available, at the applicable rack rate (e.g., normal room rate), less a 20% discount less a designated Member discount or at their option seek accommodations elsewhere. For the purpose of calculating occupancy of any Unit or Unit Type under this Section, each child over two (2) years of age occupying a Unit shall constitute one person.

#### **Section 2.05 Rights of Entry**

Without limitation thereto, the Project Manager, its successors and assigns and its and their representative agents, employees and other authorized personnel, shall have the right to enter the Units and the Common Areas for the purposes of performing administrative, maintenance and other duties or obligations including, without limitation, the right to enter a Unit during the Service Periods each Week and the annual Maintenance Period. The Project Manager is provided with a passkey to all Units. In case of emergency, the Project Manager or such other designated Project employee may immediately enter any Unit, and, in such case, shall notify the Member occupying such Unit, as soon as reasonably possible, of the reason for such entry. No Member or Permitted User shall alter any lock or install a new lock on any door leading to any Unit.

#### **Section 2.06 Transfer or Encumbrance of Memberships**

(a) A Member may transfer or encumber his or her Membership provided that such Member sells, conveys, assigns or encumbers not less than all of his or her interest in his or her Membership (i.e., not less than the entire Week represented by each Membership owned). Any sale, conveyance, transfer, assignment or encumbrance by any Member of less than all his or her interest in a Membership shall be null, void and of no effect. A Member shall not sell, convey, transfer, assign or encumber his or her Membership except as specifically authorized by the Bylaws, these Rules and Regulations and any agreement to which the Member is a Party. If a Member (“Selling Member”) sells, conveys, transfers, assigns or encumbers a Membership, any buyer, transferee, assignee or encumbrance (“Buying Member”) shall specifically agree in writing to abide by the Membership Certificate and these Rules and Regulations. No sale, conveyance, transfer, assignment or encumbrance shall be valid until: (i) any amounts due to the Club from the Selling Member have been paid; (ii) a notarized written statement from all original

signatories authorizing the amendment has been delivered to the Club; (iii) the Buying Member has furnished a notarized written statement to the Club of his or her name, address and telephone number and delivered to the Club the Buying Member's agreement to abide by the Bylaws and these Rules and Regulations; and (iv) the Buying Member's agreement to pay the balance, if any, due under the Selling Member's Membership Certificate has been delivered to the Club. A transfer fee in an amount to be determined by the Club must also be paid to the Club to consummate such a transfer. On satisfaction of the requirements for transfer set forth in this Section, a new Membership Certificate shall be issued to the Buying Member and the Membership Certificate of the Selling Member shall be cancelled.

(b) Subject to the restrictions on encumbrances set forth above in Subsection 2.06(a), each Member shall have the right to encumber all, but not less than all, of his or her Membership. Any such encumbrance shall be subordinate to all of the provisions of these Rules and Regulations. These Rules and Regulations shall be binding upon any Member whose title is derived through the enforcement of a security interest held in a Membership by any action, public or private. Notwithstanding, any other provision of these Rules and Regulations no breach of the provisions herein contained, nor the enforcement of any security interest created pursuant to the provisions hereof shall defeat or make invalid a purchase money security interest in any Member's Membership if the same is given in good faith and for value.

#### **Section 2.07 Protection of Memberships**

Except as provided in Section 2.06(a) above, no Member shall permit this Membership to be subject to any lien, claim or charge, the enforcement of which may result in a sale or threatened sale of the Membership or any part therein, of any other Member or in any interference in the use or enjoyment thereof by any other Member. In addition, no Member shall seek or obtain judicial partition, or the equivalent of such remedies, of the Property or a sale of a Membership in lieu of partition. Any rights the Members may have as purported owners or purported tenants-in-common of the Property are hereby expressly waived and substituted in the place thereof are the terms and conditions of these Rules and Regulations. Should the lodging rights to and enjoyment of any portion of a Unit, the Common Area or Common Furnishings by any Member be threatened by reason of any lien, claim or charge against the Membership of any other Member, or should proceedings be instituted to effect any such sale or interference, any Member acting on his or her own behalf or through the Club, or the Club acting on behalf of any one or more Members (if promptly indemnified to his or her or its satisfaction) may, but shall not be required to, pay or compromise the lien, claim or charge without inquiry into the proper amount or validity thereof and, in such event, the Member whose interest was subjected to such lien, claim or charge shall forthwith pay the amount so paid or expended to the Member or the Club, whomsoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorney's fees and related costs as the Member or Club may have incurred. No Member shall permit his or her interest in any funds from time to time in possession of the Club to be subjected to any attachment, lien, claim or charge or other legal process and shall reimburse the Club for all reasonable attorney's fees or other costs incurred in respect thereof.

### **Section 2.08 Grant of Lodging Rights by Permitted User**

(a) In the event the Member grants his or her rights to lodging services to a Permitted User, the Club shall charge a fee for the issuance of a Permitted User confirmation.

(b) In the event that a Permitted User is not accompanied by a person over the age of twenty-five (25), an additional written authorization must be submitted to the Club, with an accompanying credit card number guaranteeing any unpaid charges or damages incurred by the Permitted User.

(c) The Member agrees to provide a copy of these Rules and Regulations to the Permitted User. In the event the Member grants his or her rights to lodging services to a Permitted User.

(d) In addition, the Member shall also perform the following acts in connection with granting lodging rights to a Permitted User; (i) The Members shall specifically notify the permitted user of the maximum occupancy limitations of Section 2.04 of these Rules and Regulations; (ii) The Member shall be responsible for any and all charges or damages unpaid or resulting from the Permitted User's failure to comply with these Rules and Regulations, as provided for herein.

### **Section 2.09 Common Area Use Restrictions**

In exercising the Member's non-exclusive right to use the Project's Common Areas, the Member shall abide by reasonable standards of conduct at all times, including but not limited to the following:

(a) Radios, stereos and televisions must be played at a volume so as not to disturb the comfort of others. Any Member who is disturbed by the volume of any radio, stereo, television or similar device being used by another Member or Permitted User should register a complaint at the Project's front desk, rather than directly with such other Member or Permitted User.

(b) Members shall conduct themselves in a reasonable manner while in the Common Areas. Appropriate dress shall be required in and around the pool, beach and restaurant areas. The On-Site Manager shall have the authority to deal with any unruly behavior. In general, Members shall not cause any type of disturbance which is an annoyance to other Members staying at the Project. Noise shall be kept to a minimum after 11:00 p.m.

(c) All Permitted Users must obtain a visitor's pass available from the On-Site Manager.

(d) Neither Members nor any Permitted User may bring drinking glasses, bottles or other glassware in or around swimming pool areas.

(e) Children under twelve years of age must be supervised and accompanied by an adult at all times while in the Common Areas.

(f) Towels, bathing apparel, and similar clothing or articles may not be hung on balcony railings or balcony furniture. No clothing, brooms, cartons or other containers or cleaning equipment may be placed on balconies, in passageways or windows which may

be viewed from the exterior of the building in which such balconies, passageways, or windows are located. Shoes, thongs, laundry, bagged or un-bagged trash, carriages, bicycles, mats, surfboards and all other similar items must be stored within the Member's Unit rather than in hallways, building entrances, balconies or any other Common Areas. Open flames, fires or cooking are not permitted on balconies. Furniture placed on balconies, inside Units or in Common Areas by the Club or the Project Manager shall not be removed by Members or Permitted Users.

(g) Garbage and refuse must be put in the appropriate garbage receptacles located in designated areas throughout the Project. Any discarded food must be tightly wrapped in order to minimize pest infestation.

(h) Use of pool beach lounge chairs and outdoor furniture is on a first come, first-served basis. Members and Permitted Users may not unilaterally reserve pool and beach lounge chairs for extended periods of time by placing personal articles on those chairs and then "abandoning" the chairs for later use. Any pool or beach lounge chair remaining unoccupied by a Member or Permitted User for more than one hour shall be considered unreserved and abandoned and may be assigned for the use of another Member or Permitted User by the Project Manager or its designated agent or employee.

(i) Use of the Project's sport, leisure, food and beverage facilities is on a first come, first-served basis, unless reservations are permitted by the On-Site Manager.

(j) Eating and drinking shall be confined to the Member's Unit, restaurants and other areas designated by the On-Site Manager.

(k) No soliciting is permitted in the Common Areas without the prior written consent of the On-Site Manager. This includes posting flyers in hallways, holding signs at the pool area, and the distribution or posting of petitions. Members are encouraged to address grievances, in writing, directly to the Board of Directors.

(l) Use of all Common Areas and facilities, including, but not limited to, swimming pools, spas, fitness centers, beach areas, the Pacific Ocean and other recreational facilities and equipment, is at the User's own risk.

(m) Members shall comply with all rules posted at all the recreation facilities. Members and Permitted Users will be personally responsible for complying with such rules, including without limitation those posted at pools, barbecues and tennis courts.

(n) The front desk of each Project shall be open twenty-four hours each day.

(o) The Club may, in its discretion, allow Members and Permitted Users to exchange foreign currency for local currency. The exchange rate shall be based on current fair market exchange rates as determined by the Project Manager in its sole discretion. The Project Manager has the right to refrain from offering such currency exchange services.

(p) Safe deposit boxes are available at the front desk or in the Unit at no charge. Members and Permitted Users should not leave valuables in their Units. Neither the Club

nor its agents will be responsible for loss or damage to any property of a Member of Permitted User which is not placed in a safe deposit box. A Member shall be charged a fee for replacing a safe deposit box key lost by the Member or his or her Permitted User.

(q) When checking out, Members and Permitted Users must completely vacate their Units and should bring the following to the front desk; all luggage and other personal belongings; all beach towel receipts; all safe deposit box keys; and all room keys.

(r) A Member will be charged a fee for replacing each room key or key chain lost by the Member or his or her Permitted User.

(s) Members and Permitted Users are responsible for the behavior of their children and must ensure that their children do not disturb other Members or cause damage to the property of Members or of the Club. Children age 12 and younger are permitted in recreation and Common Areas only when accompanied by an adult. Children may not play or make loud noises in corridors, parking areas or lobbies.

(t) The Club shall not be responsible for injuries to any Member or Permitted User from any cause whatsoever. Members and Permitted Users are responsible for their own safety at all times. Because wet surfaces can be dangerous, Members and Permitted Users should use caution in pool areas, and in all other outside areas and building entrances during and following rain. Members and Permitted Users should exercise a very high degree of caution while on the beach and are reminded that all beaches are in most cases the federal property of the country in which the Project is located, and in those cases the beaches are controlled by the federal government of that country rather than by the Club. Members and Permitted Users are reminded that recreational activities such as parasailing, water-skiing, jet skiing, personal water craft, boating, fishing, scuba diving and snorkeling can involve risks, and Members and Permitted Users should use care when engaging in these activities. The Club or its agents, employees and Board of Directors do not sponsor or endorse, nor are responsible for, the participation in off-site activities by any Member or Permitted User, or any other individual, for activities such as, but not limited to, water skiing, jet skiing, personal watercraft, boating, fishing, scuba diving, and snorkeling, etc., and such activities are done at the User's own risk.

(u) All swimming pools are open for use from 9:00 a.m. to 9:00 p.m. Children under 12 years of age must be accompanied by an adult while in swimming pool areas. No diving, climbing or jumping is permitted from any islands in any swimming pools. Members and Permitted Users must check water depth marks (located on the side of each swimming pool) before entering the pool. No lifeguards are present at any of the swimming pools. Members and Permitted Users are reminded that use of any of the swimming pools (including without limitation diving boards and slides, where present) can involve risks, and Members and Permitted Users should use care when using the swimming pools, diving boards or slides.

(v) No pets or other animals may be brought onto the Property at any time.

(w) Neither Members nor Permitted Users may leave cars unattended at the lobby entrance, in driveways, or in loading or maintenance areas. Parking is available on a first

come, first served basis. Repair of motor vehicles, boats, surfboards or other equipment, and/or storage of such equipment, is not permitted in the parking stalls or other parking areas.

(x) Each Property is a private facility in which uninvited visitors are not allowed. Members and Permitted Users may invite visitors on to a Property so long as the precautions described in this Paragraph are taken to protect the security and comfort of all registered Members and Permitted Users. Before entering the Property, all visitors must obtain a visitor's pass. Unless an overnight pass is obtained, each visitor's pass will be valid for a single day's visit between 8:00 a.m. and 11:00 p.m. Members and Permitted Users may obtain overnight passes for their guests at the Project front desk upon the visitor's display of a photo ID and the Member's or Permitted User's confirmation of financial responsibility for the visitor. Personnel of the Project Manager will have the right, in their sole discretion, to refuse visitor passes or overnight passes to any invited visitor who does not or does not appear likely to meet satisfactory standards of conduct, behavior or appearance, or who has violated or appears likely to violate any Club rule or regulation.

(y) Beach and pool towels are available from booths adjacent to the swimming pools between the hours of 9:00 a.m. and 5:30 p.m. daily. Each Member and Permitted User is allowed one towel per person per day and is fully responsible to return it in good condition. Towels may not be removed from the Property at any time. Members will be assessed a fee for each towel lost by the Member or his or her Permitted User. A Member or Permitted User requiring a pool towel on the day of his or her departure may obtain a towel pass from the front desk (after leaving a cash deposit or signed credit card voucher as security) to obtain a towel.

(z) Members and permitted Users shall abide by generally accepted standards of reasonable conduct, whether or not specified in these Rules and Regulations. Neither the Club nor the Project Manager shall be responsible for the violation of these Rules and Regulations by any party. The Club authorizes the Project Manager (or any party designated by the Project Manager) to enforce these Rules and Regulations.

#### **Section 2.10 Additional Rules and Regulations.**

The On-Site Manager, after consultation with the Board of Directors, may establish additional Rules and Regulations to enhance the efficient and comfortable use of the Common Areas.

### **Article III. Reservations**

#### **Section 3.01 Reservation System**

(a) With the exception of owners of Premier and Gold Memberships, a Member may only reserve an entire Week falling within such Member's designated Season and may not reserve a portion of any such Week. The owner of a Premier or Gold Membership may reserve a portion of a Week at one Project and the remainder of the same Week at another Project or Projects, on the following conditions: (i) a Premier Member may not request such a splitting of a Week until the last sixty (60) days prior to the beginning of that

Week (Gold Members are not subject to such time limitation), and (ii) a Premier and Gold Member's rights to split a Week between two (or more) Projects is subject to the availability of Units at those Projects during the Week in question. Gold and Premier Members may split a Week into two separate stays within the same year, provided that the stay includes a Saturday or a Sunday. Premier Members must pay an additional fee for splitting their Week into two separate stays within the same year. If a Member does not use a Week during any year, there shall be no accrual or carry-over of such unused Week unless the Member can and does place the Week in the Vacation Bank pursuant to these Rules and Regulations.

(b) Requests for reservations may be made in-person, by telephone, telex, telegraph, email, facsimile machine, or mail.

(c) Requests for reservations shall be confirmed on the first-come, first-served basis. Gold Members may request a reservation twenty-four (24) months in advance, but receive priority during the first thirteen (13) months of such twenty-four (24) month period. All other Members may request reservations for Weeks at the Primary Use Resort designated in their Membership Certificate commencing twenty-four (24) months prior to the commencement of the Week sought to be reserved. Members may request reservations at all other Projects commencing ten (10) months prior to the Week sought to be reserved. The Reservation Deadline with respect to Floating Week Memberships for Summer Season Weeks are as follows: Villa Del Mar (July 15<sup>th</sup>); Villa Del Palmar, Puerto Vallarta (August 1<sup>st</sup>); Villa Del Palmar, Cabo San Lucas (August 15<sup>th</sup>); Gold Membership (September 1<sup>st</sup>). The Reservation Deadline with respect to Floating Week Memberships for Winter and Holiday Season Weeks are as follows: Villa Del Mar (September 15<sup>th</sup>); Villa Del Palmar, Puerto Vallarta (October 1<sup>st</sup>); Villa Del Palmar, Cabo San Lucas (October 15<sup>th</sup>); Gold Membership (November 1<sup>st</sup>). All Vacation Banked Weeks must also comply with the applicable Reservation Deadline each Calendar Year, more specifically set forth in Section 1.32. Requests for reservations received after the Reservation Deadline are less likely to be confirmed and may be subject to the other provisions contained herein. In the event reservation requests are received by the Club at approximately the same time and cannot all be confirmed for a particular Week, the Club shall confirm reservations to Members in equitable manner taking into consideration the past use or history of such Members. In the event that the Club is unable to confirm a reservation request received prior to the Reservation Deadline, the Club shall give priority to such Member in confirming his or her reservation request for the following year.

(d) A Member may cancel any reserved Week by giving at least sixty (60) days' written notice prior to the first day of the Week so reserved. In the event that a reservation is canceled between sixty (60) to thirty (30) days prior to Check-In Time on the first day of the Week so reserved, the Member may be subject to a cancellation fee, in addition to the Internal Reservation Fee, payable to the Club. In the event a reservation is canceled thirty (29) to eight (8) days prior to Check-In Time on the first day of the Week so reserved, such Member may be subject to an increased cancellation fee, in addition to the Internal Reservation Fee, payable to the Club. In the event a reservation is canceled less than seven (7) days prior to the Check-In Time on the first day of the Week so reserved,

such Member shall be considered to have used the entire Week for which the reservation was made.

(e) A reservation request must be confirmed by the Club before it is valid. Confirmations will be made by the Club in writing; provided, however, that reservation requests received or confirmed after the Reservation Deadline may be confirmed by telephone. A reservation request shall not be confirmed by the Club if at the time such request is submitted the Member is in breach of these Rules and Regulations or the Bylaws, or is delinquent in the payment of any amounts due, including but not limited to Maintenance Assessments or Personal Charges.

(f) In the event any Week for a Unit has not been reserved by a Member before or at the time of the Reservation Deadline, or a confirmed reservation has been canceled later than seven (7) days prior to the first day of the Week, or a Member has not taken possession of a reserved Unit within twenty-four (24) hours of his or her scheduled Check-In Time, the Club or its authorized agent shall have the right to charge a cancellation fee in an amount to be determined by the Club or its authorized agent from time to time and/or to occupy said Unit and to rent said Unit to other Members or members of the general public, subject to the following conditions: (i) if reservation requests are received at approximately the same time from Members and members of the public, Members will receive higher priority; and (ii) the sale of occupancy days in the Units to members of the public must not interfere in any way with confirmed reservations made by Members. Proceeds from the rental of any Unit under this Section 3.01(f) ("Rental Payments") shall be paid to the Club and/or its authorized agent as such parties may agree; and no Member shall be entitled to any Rental Payments or any part thereof.

(g) In the event the Club shall enter into a partnership with another club, benefits may be extended to Members allowing them use of specified resorts. The Club shall have the right to charge fees for the use of those benefits.

### Section 3.02 **Reservations**

The Club shall respect and observe reservations made by the Member when duly confirmed by the designated reservations agent for the Club. In the event the Club or its On-Site Manager shall fail to provide the Unit(s) and Week(s) as reserved pursuant to these Rules and Regulations, the Club shall provide accommodations to the Member in another Unit of equal or superior category available within the Project as determined by the Club. If no additional Units are available within the Project for any reason other than an "Act of God" or a force majeure, the Club or its On-Site Manager shall obtain and pay for additional lodging in another hotel or resort of equal or superior category as determined by the Club. In the event that such alternate lodging is not available for any reason other than an "Act of God" or a force majeure, the Club, or its On-Site Manager, shall promptly pay for all of the Member's reasonable and actual transportation and travel expenses from his or her place of residence to the Project and his or her point of departure, using similar modes and quality of transportation as the Member originally used as determined by the Club. In addition, the Club shall grant the Member the use of an additional Unit(s) and Week(s) during a future period of equal or superior category, time, and location as determined by the Club.

### **Section 3.03 Reservation Fee**

The Club will charge a fee for the making of any Internal Exchange or Internal Reservation subsequent to the Initial Reservation for lodging rights during any Calendar Year. In the event that an Initial Reservation is cancelled a minimum of sixty (60) days prior to the Check-In Time on the first day of the Week so reserved, the Club will charge an Internal Reservation Fee to Vacation Bank or reschedule said Week. In the event that a reservation is canceled within sixty (60) days prior to the Check-In Time on the first day of the Week so reserved, the Club will consider the Week expired, and a fee will be charged to reinstate the Week, and Vacation Bank or reschedule said Week.

### **Section 3.04 Vacation Bank**

A Member who does not use a Week to which he or she is entitled may save that Week for use in a later year by placing it in the Vacation Bank for a maximum of three (3) consecutive years, except in the case of a Gold Member, who may Vacation Bank a Week for a maximum of five (5) consecutive years. The right of a Member to use a Week which the Member has placed in the Vacation Bank is subject to availability. The Club shall charge a fee per year, per Week for the placement of a Week into the Vacation Bank provided, however, such fee does not apply to Gold Memberships. The ability of a Member to place a Week into the Vacation Bank or to use a banked Week shall be subject to notice requirements and other requirements which may be established by the Club from time to time. If a Member wishes to place his or her Week in the Vacation Bank, all current or accrued Weeks must be Vacation Banked by the applicable Reservation Deadline, more specifically set forth in Section 1.32.

### **Section 3.05 Vacation Borrowing**

A Member may Vacation Borrow his or her vacation Weeks up to three years in advance from the current calendar year, except a Gold Member, who may Vacation Borrow up to five years in advance. The Club will charge a fee per Week, per year, to Vacation Borrow vacation Weeks, provided, however, such fee does not apply to Gold Memberships. Members must be paid in full, and Maintenance Fees must be pre-paid for all Weeks being utilized, at an estimated amount provided by the Club.

## **Article IV. Maintenance Period**

### **Section 4.01 Maid Service**

Maid service will be provided without additional charge on a daily basis so that the Units are always maintained in good order and repair. Prior to the Member's arrival at the Project and occupancy of his or her assigned Unit on the Member's check-in date, the Unit shall be thoroughly cleaned and returned to an orderly condition. In general, daily maid services shall include a daily cleansing and making-up of the Unit, except for kitchen utensils, which shall be cleaned following the Member's departure. Bed linens shall be changed at least twice weekly and bathroom towels at least once daily. Maid service shall not include cooking, preparation of meals, or washing or ironing of clothing. Maid service shall be available daily from 9:00 a.m. to 11:00 p.m.

#### Section 4.02 **Maintenance Period**

One (1) Week shall be designated by the Club each Calendar Year with respect to each Unit for the major maintenance, service and repair of that Unit by the Project Manager. The Club shall determine the Maintenance Period for each Unit.

#### Section 4.03 **Maintenance Services**

The Common Areas and Units of each Project shall be continuously maintained and serviced by the Project Manager under an on-going maintenance program which shall include pre-established corrective, preventative and emergency maintenance procedures. Any Member may request specific corrective or emergency maintenance services while occupying his or her Unit without additional charge, except to the extent caused by the negligence or intentional misconduct of the responsible Member, Permitted User, or Exchange User. The specific degree or nature of preventative maintenance shall be carried out at the discretion of the Club and Project Manager.

The provisions of the respective maintenance services shall conform to the following guidelines:

**Corrective Maintenance.** Corrective maintenance shall consist of repairing or replacing any part, equipment or system, whether in a Unit or Common Area, which has ceased to function adequately as a result of wear and tear or normal damage. Repair will be made as quickly as possible given the human and material resources available at the time of repair. The option to repair rather than replace an item shall be solely at the discretion of the Club and the Project Manager.

With respect to Units and their contents, a corrective maintenance inspection shall be initially provided to Member's Unit prior to his or her check-in. Thereafter, corrective maintenance services shall be provided on any occasion where the Project Manager is made aware of a situation requiring corrective maintenance, whether by staff inspection or notification by the Member. This service shall be available daily from 7:00 a.m. to 11:00 p.m., year round.

With respect to Common Areas and other physical plants, corrective maintenance shall be provided daily upon staff inspection and/or upon notification by a Member of a situation requiring corrective maintenance. This service shall be provided daily from 7:00 a.m. to 11:00 p.m., year around.

**Preventative Maintenance.** Preventative maintenance shall consist of maintaining, painting, lubricating, repairing, tuning-up, verifying performance of or replacing any part, equipment or system in each Project, such that the general life of the Units, the Common Areas and physical plant are prolonged in a cost effective manner, thereby avoiding premature wear and tear or abnormal damage to same. Preventative maintenance shall take second priority to corrective maintenance and, in general, shall be performed pursuant to a predetermined schedule designed by the Project Manager taking into consideration several factors such as operational constraints, types of equipment, parts and systems, number of condition of Units, wear and tear, and required frequency of maintenance.

With respect to Units and their contents, preventative maintenance shall be provided at least once a year during (a) a period of time in which a Unit is either unoccupied or out of order for corrective maintenance, or (b) the Maintenance Period. To the extent reasonably possible, major refurbishment, replacement and repair work shall be performed during the Maintenance Period.

With respect to Common Areas and physical plants, preventative maintenance shall be provided on a pre-established and continuous basis pursuant to specific manufacturer requirements in the case of equipment, as well as generally accepted norms for other physical plant parts and systems.

**Emergency Repair Maintenance.** Emergency repair maintenance shall include emergency repair to broken water and gas pipes, electrical outages, or malfunctions with central air conditioners, boilers, elevators, water/sewage pumps, potable water treatment equipment and any other malfunctioning equipment which can cause additional damage or uncomfortable conditions to the majority of occupied Units in the Project. This service shall be available daily, twenty-four (24) hours a day, year round.

#### **Section 4.04 Units which are “Out-Of-Order”**

The Project Manager shall have the right to designate a Unit as “Out of Order” when the Unit has one or more deficiencies which will affect the Member’s reasonable use of the Unit or when, in the sole discretion of the Club or Project Manager, the Unit’s appearance or general condition has become sub-standard such that it is deemed to be below the standard of the Project. In the event a Unit assigned to a Member is deemed to be Out of Order, the Project Manager shall accommodate the Member in alternative accommodation which shall be of equal or superior size and type as determined by the Club. The Project Manager shall take all reasonable steps to place the Unit which is Out of Order back in service as soon as practical.

### **Article V. Management**

#### **Section 5.01 Powers and Duties Generally**

The Club, acting alone (through its Board, its officers or other duly authorized agents or representatives) may, subject to the provisions of the Articles, the Bylaws and these Rules and Regulations, exercise any and all of its rights and, except as specifically limited herein, all of the powers of a nonprofit mutual benefit corporation formed under the laws of the State of California.

#### **Section 5.02 Specific Powers and Duties of the Club**

The Club has the responsibility for ensuring that each Project is maintained in good condition and repair. The Club shall also have the duties to administer the Club Membership program and to levy, collect and enforce the fees and assessments provided for herein. Without limitation on the above powers and duties, the Club is expressly authorized in its discretion and on behalf of the Members to do any or all of the following:

(a) **Management Fee.** The Club shall have the duty to pay the Management Fee to the Project Manager for the on-site management, operation and maintenance of each Project.

(b) **Legal and Accounting.** The Club shall obtain legal and accounting services which the Club deems necessary or proper in the operation of each Project and the enforcement of the Articles, Bylaws, and these Rules and Regulations.

(c) **Levy and Collection of Fees.** The Club shall levy, collect and enforce Maintenance Assessments, Special Assessments and Personal Charges against the Members in the manner provided in the Bylaws and these Rules and Regulations in order to pay the Management Fee owed to the Project Manager relating to the on-site operation, management and maintenance of each Project, the expenses of the operation of the Club Membership program and to enforce each Member's obligations.

(d) **Financial Statements and Accounting.** The Club shall cause to be prepared regularly and distributed to all Members an annual report and a pro forma operating statement (the "Budget") as provided for in the Bylaws and/or pursuant to California law.

(e) **Bank Accounts.** The Club shall cause to be deposited all funds collected from Members in a separate bank account or accounts with a bank selected by the Club. Funds deposited in such account may be used by the Club only for the purposes for which such funds have been collected.

(f) **Other Necessary Acts.** The Club shall do all other things or acts deemed by the Club to be necessary or desirable for the off-site and on-site management and operation of the Club's activities and the operation of the Club Membership program pursuant to the Articles, Bylaws, and these Rules and Regulations.

(g) **Delegation.** The Club may delegate the authority and responsibilities of the Club to one or more agents, including, without limitation, the Off-Site Manager provided in Section 5.03 below.

#### **Section 5.03 Authority to Engage Off-Site Manager**

The Club shall have the authority (but not the obligation) to engage and maintain a reputable firm or individual as the Off-Site Manager for the off-site management and operation of the Club's activities and the Club Membership program pursuant to a written agreement (the "Off-Site Management Agreement") meeting the requirements of this Section 5.03. Each Off-Site Management Agreement shall:

(a) Obligate the Off-Site Manager to perform any or all of the duties of the Club specified in this Article V.

(b) Provide for a term of not more than three (3) years, except that the Off-Site Management Agreement may provide that the term will automatically be renewed for successive annual terms unless notice of non-renewal is given no later than ninety (90) days prior to the end of any term by either party. The Off-Site Management Agreement shall be subject to termination by the Club as follows: (i) for cause, upon no more than thirty (30) days' written notice; (ii) without cause, upon the vote or written consent of a

majority of the voting power of the Club and upon no more than thirty (30) days' written notice.

(c) Provide that the Off-Site Manager may resign only upon compliance with such conditions as shall be set out in the Off-Site Management Agreement.

(d) Provide for reasonable compensation to be paid to the Off-site Manager.

#### **Section 5.04 Authority to Engage On-Site Manager**

The Club shall have the authority and the obligation to engage and maintain a reputable firm or individual as the Project Manager for the on-site management, operation and maintenance of the Project and the Club's activities. In satisfaction of this obligation, the Club is authorized to enter into a written agreement (the "Management Agreement") meeting the requirements of this Section 5.04. The Management Agreement shall:

(a) Obligate the Project Manager to perform any or all of the duties of the Club specified in this Article V.

(b) Provide for a term of not more than three (3) years, except that the Management Agreement may provide that the term will automatically be renewed for successive annual terms unless notice of non-renewal is given no later than ninety (90) days prior to the end of any term by either party.

(c) Provide that the Project Manager may resign only upon compliance with such conditions as shall be set out in the Management Agreement.

(d) Provide for a Management Fee, as defined in Section 1.21, to be paid to the Project Manager.

The Management Agreement shall be subject to termination by the Club as follows: (i) for cause, upon no more than thirty (30) days' written notice; (ii) without cause, upon the vote or written consent of a majority of the voting power of the Club and upon no more than thirty (30) days' written notice.

#### **Section 5.05 Multiple Off-Site and Project Managers**

Subject to the guidelines set forth in Sections 5.03 and 5.04, the Club may hire a separate Off-Site Manager and Project Manager for each Project.

### **Article VI. Assessments**

#### **Section 6.01 Creation of Personal Obligation for Assessments**

Each Member by acceptance of a Membership Certificate, hereby promises to pay to the Club for each Membership owned, the Maintenance Assessment and Personal Charges (collectively referred to as the "Assessments" as defined above in Section 1.02). The Assessments, together with interest, costs of collection and reasonable attorney's fees, shall be the personal obligation of each Member at the time the Assessments become due and payable, shall bind such Members, successors and assigns, and shall be a lien or

charge upon the Membership against which the Assessments are made. No Member may waive or otherwise avoid liability for the Assessments by non-use or abandonment of his or her Membership or any part thereof.

#### **Section 6.02 Purpose of Assessment**

Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Members, the operation and maintenance of the Club and the Club Membership program and to reimburse the Club for expenses incurred by the Club in the performance of the duties of the Club as set forth in the Articles, Bylaws, and these Rules and Regulations.

#### **Section 6.03 Annual Expenses**

“Annual Expenses” means the estimated aggregate amount of expenses as set forth in the Budget, to be incurred by the Club during the applicable Calendar Year (a) to provide for the payment of the Management Fee to each Project Manager, which amount shall be used by each Project Manager in the operation, management, maintenance, administration, improvement and repair of the Project managed by said Project Manager, including without limitation, the Units, the Common Areas, and the Common Furnishings, and for the creation of reserves for payment of capital expenditures relating to the repair, restoration or replacement of the Units, Common Areas and/or Common Furnishings; (b) to provide for the payment of the fee of each Off-Site Manager; (c) to provide for the payment of miscellaneous expenses incurred in connection with the operation of the Club; and (d) payment of any insurance and bonding costs as well as any federal, state or municipal taxes and / or licensing fees.

#### **Section 6.04 Maintenance Assessment**

On the Calendar Year basis, a Maintenance Assessment for each Membership shall be determined by the Board in good faith taking into account Annual Expenses attributable to such Calendar Year. The Maintenance Assessment may vary depending upon the Unit Type and/or the Project which is the subject of the Membership. The Maintenance Assessment shall be levied by the Club once a year for each Membership, at such time during the year as the Board of Directors determines. The Club will send notices of the Maintenance Assessment on October 1 each year except in the event that a Member purchases a Membership after that time, then the Club will send notice thirty (30) days after the date of purchase. A Maintenance Assessment shall be due and owing for each Membership Week owned by a Member, regardless of whether or not the Member uses his or her Week. Each Calendar Year, the Club may increase the annual Maintenance Assessment, provided, however, that any such increase shall not exceed twenty percent (20%) of the preceding year’s Maintenance Assessment, unless a majority of the voting power of the Club shall consent thereto by vote or written consent.

#### **Section 6.05 Payment of Maintenance Assessment**

The Maintenance Assessment shall be paid in one (1) lump sum, or in four (4) installments beginning with the month of October. In the event that a Member elects to pay the Maintenance Assessment in installments, the Club shall charge a fee for each installment. If the Club has not received payment from the Member within sixty (60) days after such payment is due, the Club shall deliver a “First Delinquent Notice” to the Member. The First Delinquent Notice shall, among other things, assess a ten percent

(10%) late fee to the Member. Following the delivery of the First Delinquent Notice, the Club will not accept reservation requests from the Member, will not mail reservation confirmations to the Member, and will cancel any existing reservations the Member may already have made and confirmed (such cancellation may subject the Member to a cancellation fee). Once the First Delinquent Notice has been delivered, the Club shall no longer have any obligation to guarantee the Member's right to reserve lodging services at any Project, even if the delinquent payment is thereafter received by the Club. If the delinquent payment (including late fees and other charges) is not received by the Club with thirty (30) days after the Club's delivery of the First Delinquent Notice, the Club shall deliver a "Second Delinquent Notice" to the Member. The Second Delinquent Notice shall, among other things, assess a reinstatement fee to the Member in an amount determined by the Club, together with interest at the maximum rate allowable by law, compounded daily, on the overdue amounts and reinstatement fee, effective as of the date of the Second Delinquent Notice and continuing until the overdue amounts are paid in full (collectively, the "Late Charges"). In addition, the Second Delinquent Notice shall notify the Member that the Club intends to cancel the Member's Membership if the overdue amounts (together with all Late Charges) are not paid immediately. In no event shall a Member be allowed to exercise the lodging rights and services associated with his or her Membership(s) prior to having paid all Maintenance Assessments (plus any Late Charges) which are owed (both for the current Calendar Year and past Calendar Years) on each of his or her Membership(s). If a Member's rights to use his or her Membership are forfeited or suspended due to failure to pay Maintenance Assessments (and any Late Charges), the Club shall have the right to rent the Unit attributable to the Membership during the Member's Week, and to receive the rental there from. Prior to a Member reserving any future Vacation Weeks, the Maintenance Assessment must be current for all Weeks utilized. The Club shall collect the Maintenance Assessment, plus an estimated increase that is determined by the Club.

#### **Section 6.06 Special Assessments**

If the Maintenance Assessment with respect to any Membership is, or will become, inadequate to meet all expenses incurred by the Club hereunder (other than for items constituting Personal Charges) for any reason, including nonpayment by any Member of assessments on a current basis, the Club shall immediately determine the approximate amount of such inadequacy, prepare and distribute a supplemental budget and levy (in the manner provided for the Maintenance Assessment in Section 6.04 above) against each Member, a special assessment (the "Special Assessment") in an amount sufficient to provide for such inadequacy; provided, however, that without the vote or written consent of a majority of the voting power of the Club, Special Assessments shall not, in the aggregate, exceed five percent (5%) of budgeted gross annual expenses for the applicable Calendar Year. Any Special Assessment shall be payable in one lump sum or periodically (as determined by the Club) and shall be payable within thirty (30) days after receipt of the statement therefore. Special Assessments relating to the operation, management, maintenance, administration, improvement, restoration, repair or replacement of a particular Project shall be borne solely by the Members associated with that Project. Special Assessments relating to any aspect of the off-site administration or management of the Club Membership program shall be levied on a pro-rata basis among all the Members.

### **Section 6.07 Personal Charges**

The term "Personal Charges" means any expense resulting from the act or omission of any Member, Permitted User, Exchange User or other authorized user, including, without limitation: (i) the cost of telephone charges incurred by such Member, Permitted User, Exchange User or other authorized user; (ii) any special services or supplies attributable to the use of the lodging rights to the Unit during such Member's, Permitted User's, Exchange User's or other authorized user's Week; (iii) the cost to replace or repair any damage to the Unit, any Common Furnishings, or the Common Area due to loss or damage occurring during such Member's, Permitted User's, Exchange User's or other authorized user's Week; (iv) the cost to satisfy any amounts owing to any other Member(s) or to the Club due to any intentional or negligent act of omission of such Member, Permitted User, Exchange User or other authorized user of any provision of the Bylaws or these Rules and Regulations; and (v) any Late Charges. For purposes of this Section 6.07, the act or negligence of a Permitted User shall be deemed to be the act of the Member. Such Personal Charges shall be paid by each Member as follows:

(a) If the Project Manager is able to determine the amount of Personal Charges at Check-Out Time, such Personal Charges shall be payable in cash, traveler's check or credit card at said Check-Out Time.

(b) Personal Charges which are not so ascertainable shall be payable by cashier's check or credit card within thirty (30) days after Member receives a statement therefor.

## **Article VII. Enforcement of Rules and Regulations**

### **Section 7.01 General**

If any Member, Permitted User, or Exchange User fails to comply with any of the terms of the Articles, Bylaws, or these Rules and Regulations, the Board, on behalf of the Club shall have full power and authority to enforce compliance with the Articles, Bylaws or these Rules and Regulations in any manner provided for the law or in equity. All enforcement powers of the Club shall be cumulative. If the Club shall employ an attorney to enforce the terms of the Articles, Bylaws or these Rules and Regulations against any Member, the Club shall be entitled to recover from the Member violating any such terms reasonable attorneys' fees and costs in addition to any other amounts due. All sums payable by a Member hereunder, whether on account of Maintenance Assessments, Special Assessments, Personal Charges, or otherwise, shall bear interest at the maximum rate allowable by law, compounded daily, from the due date, or if advanced or incurred by the Club, or any other Member pursuant to authorization contained in these Rules and Regulations, from the date of such expenditure. All enforcement powers of this Club shall be cumulative. Each Member by acceptance of a Membership Certificate shall have promised and agreed that the Club shall have all the rights, powers and remedies set forth in this Article VII and elsewhere in the Articles, Bylaws, and these Rules and Regulations.

### **Section 7.02 Certain Specific Enforcement Powers**

In amplification of, and not in limitation of, the general powers specified in Section 7.01 above, the Club shall have the following rights and powers:

**(a) Suspension of Privileges.** If any Member or his or her Permitted User shall be in breach of the Articles, Bylaws, or these Rules and Regulations, the Club may suspend the right of such Member and Permitted User(s) to use the lodging rights to his or her Unit and the right of such Member to participate in any vote or other determination provided for herein, provided such a suspension is accomplished in compliance with the Bylaws.

**(b) Enforcement by Cancellation.** There is hereby created a security interest (which shall be subordinate to any security interest created by a Member's Membership Certificate), in the form of a right to cancel a Member's Membership and accompanying lodging rights, securing the prompt and faithful performance of each Member's obligations under the Bylaws and these Rules and Regulations and the payment to the Club of any and all Assessments levied against any and all Memberships, together with interest thereon at the maximum rate allowable under the law from the date of delinquency, any Late Charges and all costs of collection which may be paid or incurred by the Club in connection therewith, including reasonable attorneys' fees. If any such default is not cured within forty-five (45) days after delivery of written demand by the Club, the Club may elect to cancel such defaulting Member's Membership. Any demand for payment shall be executed and acknowledged by any officer of the Club and shall contain substantially the following information: (i) the name of the defaulting Member; (ii) the total amount of the delinquency, interest thereon, collection cost and reasonable attorney's fees and monetary penalties imposed by the Club; (iii) that a demand for curing a default is hereby being made by the Club pursuant to these Rules and Regulations; and (iv) that the Membership will be canceled if the default is not cured. Upon the timely curing of any default for which a demand was made by the Club, the officers of the Club are hereby authorized to rescind such demand. Cancellation of a Member's Membership shall be effective by giving such Member notice of such cancellation after a proper demand to cure such default. Upon proper notice of cancellation hereunder the Membership rights of such defaulting Member shall immediately cease and such Membership shall revert to the Club (subject to any security interest therein).

## **Article VIII. Relationships Between Projects**

### **Section 8.01 Lodging Rights and Services**

The Club has acquired lodging rights and services, and may in the future acquire additional lodging rights and services in various resort communities. All such resort communities are referred to herein as the "Project" or "Projects." This Article VIII shall set forth the rights and obligations of Members with respect to the Projects.

### **Section 8.02 Types of Memberships**

As defined in the Bylaws of the Club, the Club has issued different types of Memberships as are set forth in the Member's Membership Certificate.

### **Section 8.03 Allocation of Annual Expenses**

As set forth in Article VI above, Annual Expenses related solely to the on-site costs and expenses of any Project shall be borne by the Members who have designated that Project

in their Membership Certificates as the Project which they have a right to use or as their Primary Use Resort. All Annual Expenses relating to the offsite management and administration of the Club and the Projects, including, without limitation, fees paid to all Off-Site Managers which are not specific to particular Projects, shall be shared on a pro-rata basis by all Members based upon Unit Type and duration of use rights.

#### **Section 8.04 Project Rules and Regulations**

In addition to these Rules and Regulations, each Project Manager may recommend additional rules and regulations for the Project or Projects managed by said Project Manager, which shall become effective only after approval of the Board. Such additional rules and regulations shall specifically relate to the on-site operation and administration of the Project to which they pertain, and shall be implemented to enhance the smooth and efficient operation of that Project for the benefit of Members and Permitted Users. Among other matters, said additional rules and regulations may include specific rules and regulations concerning the use of the Common Areas of the Project by Members and Permitted Users and shall be implemented to enhance the use of the Common Areas by all Members and Permitted Users.

### **Article IX. Miscellaneous Provisions**

#### **Section 9.01 Amendment**

These Rules and Regulations may be amended at any time by a vote of the majority of the Board.

#### **Section 9.02 Termination**

These Rules and Regulations shall remain in place until the dissolution of the Club or until the earlier termination or modification of these Rules and Regulations by the Board of Directors.

#### **Section 9.03 Notices**

Notices provided for in these Rules and Regulations shall be in writing and shall be deemed sufficiently given either (i) when delivered personally at the appropriate address, (ii) upon the fifth (5<sup>th</sup>) day after deposit of same in any United States postal mail system postage prepaid or (iii) upon the fifteenth (15<sup>th</sup>) day following the deposit of such notice in the mail system of a country other than the United States, postage prepaid, (iv) upon receipt, when delivered by overnight or express delivery service, or (v) upon transmission when delivered by facsimile machine, provided that a copy of the notice is also sent on the date of facsimile transmission by an overnight or express delivery service. Any notice to a Member required under these Rules and Regulations shall be addressed to the Member at the last address for such Member appearing in the records of the Club or, if there be none, at the address of the Project. Notices to the Club shall be addressed to the address designated by the Club by written notice to all Members. Notices to the Project Manager shall be addressed to the Project. Notice to the Off-Site Manager shall be addressed to the location designated by the Off-Site Manager. The addresses and addressees for purpose of this Section 9.03 may be changed by giving written notice in accordance herewith. Unless and until such written notice is received, the last address and addressee as stated by written notice or provided herein, if no written notice of

change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

#### **Section 9.04 Notification of Sale of Membership**

Within thirty (30) days after the sale or transfer of any Membership the transferee shall notify the Club in writing of such sale or transfer. Such notice shall set forth the name and address of the transferee and transferor, and the date on which such sale or transfer is to be consummated. Unless and until such notice is given and the conditions in Section 2.06 are satisfied, the Club shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as a Member may be recognized by the Club. Prior to receipt of any such notification by the Club or the Off-Site Manager any and all communications required or permitted to be given by the Club shall be deemed duly given and made to the transferee if duly and timely made and given to such transferee's transferor.

#### **Section 9.05 Interpretation**

The headings set forth herein are for convenience only and shall not be considered to expand, modify or aid in the interpretation, construction or meaning of these Rules and Regulations. As used herein the singular shall include the plural and the masculine shall include the feminine and neuter.

#### **Section 9.06 No Waiver**

The failure to enforce any provision of these Rules and Regulations shall not constitute a waiver thereof of the right to enforce such provision thereafter.

#### **Section 9.07 Choice of Law and Conflicting Provisions**

These Rules and Regulations shall be interpreted in accordance with the laws of the State of California, United States of America, without giving effect to those principles of conflict of laws that might otherwise require the application of the laws of another jurisdiction. In the event that any provision of these Rules and Regulations conflicts with any provisions of the laws of the state of California, such conflicting provisions shall be null and void upon final court determination to such effect, but all other provisions of these Rules and Regulations shall remain in full force and effect. In case of any conflict between the Bylaws and these Rules and Regulations, the Bylaws shall control.

#### **Section 9.08 Insurance**

The Club shall obtain and maintain at all times, a bodily injury and property insurance policy which shall cover damages and claims by Members or Permitted Users for damages to their person and property while at the Project. The Club shall also obtain and keep in force, a policy of insurance covering loss or damage to the Units and Common Areas of the Project. All such policies of insurance for bodily injury and property damage shall provide coverage in amounts determined by the Club in its discretion. All such policies of insurance shall be issued and enforced in accordance with the laws and policies of the country in which the Project to which they pertain is located. The Club shall also obtain and keep in force Directors and Officers errors and omissions insurance and a fidelity bond in coverages and amounts as determined by the Board of Directors in its sole discretion.

### Section 9.09 **Force Majeure**

Any prevention, delay or stoppage of work or other obligations to be performed by the Club that are due to strikes; labor disputes; inability to obtain labor, materials, equipment or reasonable substitutes therefore; acts of nature; governmental restrictions, regulations or controls; judicial orders; enemy or hostile government actions; civil commotion; fire or other casualty or other causes beyond the reasonable control of the Club shall excuse performance of the obligations by the Club for a period equal to the duration of that prevention, delay or stoppage.

### Section 9.10 **International Provisions**

All payments and amounts under the Documents shall be calculated in United States Dollars at the rate of exchange in effect on the date in question. Except as otherwise set forth herein, all time periods in the Documents shall be calculated as of the time zone in which the Club's principal office or residence is located. Some of the Documents may be prepared in both the English and other languages. Both translations shall constitute a single instrument and each shall be deemed an original of the Documents for all purposes. In the event of any conflict between the English and the other translations of the Documents, the English translation shall govern.

### Section 9.11 **Miscellaneous**

The Documents are also governed by the following except as expressly stated otherwise therein: Article and Section titles or captions contained in a Document are inserted only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of the Document or the intent of any provision hereof. Whenever the singular number is used in a Document and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders and the word "person" shall include corporation, firm, company, or other form of association. The rights and obligations arising under the Documents exist exclusively for the benefit and duty of the individuals and entities subject to the Documents and shall not be deemed to create any third party beneficiary rights. The Club's failure to enforce any provision of the Documents shall not constitute a waiver of the right to enforce such provision. The provisions of the Documents may be waived only in a writing signed by the Party intended to be benefited by the provisions, and a waiver by a Party of a breach hereunder by the other Party shall not be construed as a waiver of any succeeding breach of the same or other provisions. The prevailing Party shall be entitled to be reimbursed by the non-prevailing Party for all costs, including attorneys' fees, incurred by the prevailing Party in any action or defense involving the Documents. If any portion of the Documents is held to be unenforceable, any enforceable portion thereof and the remaining provisions shall continue in full force and effect. No rule of strict construction shall be applied against any Party. In the event that any Party consists of more than one person or entity, all of the rights and obligations contained herein shall be joint and several rights and obligations of each such person or entity.

### Section 9.12 **Indemnification of Directors, Officers And Employees.**

The Club may, to the maximum extent permitted under California law, reimburse, indemnify and hold harmless each present and future director, officer and employee of the Club and each person who, at the request of the Club acts as a director, officer or employee of any other corporation in which the Club has an interest, from and against all

loss, cost, liability and expense which may be imposed upon or reasonably incurred by him or her, including reasonable settlement payments, in connection with any claim, action, suit or proceeding or threat thereof, made or instituted, in which he or she may be involved or be made a party by reason of his being or having been a director, officer or employee of the Club or such other corporation, or by reason of any action alleged to have been taken or omitted by him or her in such capacity. The right of indemnification provided in this Section shall inure to each person referred to in this Section, whether or not the claim asserted against him or her is based on matters which arose in whole or in part prior to the adoption of this Section and in the event of his or her death shall extend to his or her legal representatives.

**Section 9.13 Nonliability of Officials.**

To the fullest extent permitted by law, neither the Club's Board of Directors or any other committees of the Club, or any member of such Board or committee shall be liable to any Member of the Club or Permitted User for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION OF UNIVERSAL VACATION CLUB**

**FIRST**

The name of this corporation is Universal Vacation Club, hereinafter referred to as the “Club.”

**SECOND**

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law of the State of California. The purpose of this corporation is to engage in any lawful act or activity, other than Credit Union business, for which a corporation may be organized under such law.

This corporation has been formed for the specific and primary purpose of using, occupying, managing and maintaining resort property for the benefit of its members; and to promote and encourage various sorts of pleasure, leisure, exercise and recreation of its members.

**THIRD**

The Club shall have and exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Club shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of the Club.

**FOURTH**

The classes of Membership and the voting rights and privileges shall be as set forth in the Bylaws. The Club shall have no capital stock and shares therein shall not be issued. The Club shall have two classes of voting members: (1) “Developer Class” and (2) “Member Class” as those terms are defined in this corporation’s Bylaws.

**FIFTH**

All or any portion of these Articles of Incorporation may be amended by the vote or written consent of at least seventy-five percent (75%) of the Members present and voting, in person or by written proxy, at a duly-called meeting of the Members, at which a quorum is present, provided that the general nature of any proposed amendment is described in the notice of the meeting. To the extent that a particular provision of these Articles requires the approval of a specified percentage of all Members or of Members

participating in a duly-called meeting, that provision may only be amended by a vote equal to or greater than that required for action under that provision.

## **SIXTH**

The following acts cannot be taken without the approval by a majority of all members of the Developer Class:

1. Amendment of these Articles or Bylaws,
2. Removal of a Director authorized to be elected by the Developer Class

## **SEVENTH**

The Club is one which does not contemplate pecuniary gain or profit to the members thereof, and is organized solely for nonprofit purposes. In no event shall the net earnings, income or assets of the Club be distributed or inure to the benefit of, any member, Director or officer of the Club or other private individual, either directly or indirectly, except upon winding up in dissolution. Upon the winding up in dissolution of the Club, after paying or adequately providing for the debts and obligations of the Club, the remaining assets may be distributed to the members of the Club as provided in the Bylaws.

## **EIGHTH**

The Club is authorized to indemnify its Agents (as defined in Section 7237 of the California Nonprofit Corporation Law, or any successor statute thereto) for breach of duty to the Club and its members, by Bylaw, Agreement, vote of Members or disinterested Directors or otherwise to the fullest extent such indemnification may be authorized hereby, subject to the limits on such indemnification set forth in Section 7237 or the California Nonprofit Corporation Law or any successor statute thereto.

## **NINTH**

These Amended and Restated Articles of Incorporation hereby entirely amend, restate, and supersede all previously filed and adopted Articles of Incorporation for this corporation.

**AMENDED AND RESTATED  
BYLAWS OF UNIVERSAL VACATION CLUB**

**THESE AMENDED AND RESTATED BYLAWS HEREBY ENTIRELY AMEND,  
RESTATE, AND SUPERSEDE ALL PREVIOUSLY ADOPTED BYLAWS FOR  
THE CLUB.**

**Article I. DEFINITIONS**

**Section 1.01 Annual Expenses**

Shall have the same meaning as set forth in the Rules and Regulations.

**Section 1.02 Articles**

Means the Articles of Incorporation of the Club as the same may be amended from time to time.

**Section 1.03 Board or Board of Directors**

Means the Board of Directors of the Club.

**Section 1.04 Bylaws**

Means these Amended and Restated Bylaws of the Club adopted by the Membership as the same may be amended from time to time.

**Section 1.05 Calendar Year**

Means the one-year period commencing on January 1<sup>st</sup> and ending on December 31<sup>st</sup> of each year.

**Section 1.06 Club**

Means the Universal Vacation Club, a California nonprofit mutual benefit corporation, or any successor in interest by merger or by express assignment of the rights of the Club hereunder.

**Section 1.07 Common Areas**

Means all portions of the Project (as defined below) other than the interiors of the Units.

**Section 1.08 Common Furnishings**

Means all furniture, furnishings, appliances, fixtures, equipment, telephone systems and all other personal property, which comprise a part of each Unit.

**Section 1.09 Developer Member**

Means the holder of a Developer Class Membership as set forth herein and in the Articles.

**Section 1.10 Director**

Means a member of the Board of Directors of the Club.

**Section 1.11 Fixed Week Membership**

Means a Membership pursuant to which the Member has a right to reserve lodging rights and services during a specified Week.

**Section 1.12 Floating Week Membership**

Means a Membership pursuant to which the Member has a right to reserve lodging rights and services during a specified Season.

**Section 1.13 Initial Reservation**

Means the first reservation made by a Member for lodging services at a Project during a given Calendar year.

**Section 1.14 Internal Exchange**

Means a reservation by an owner of a Premier Membership for lodging services at any Project other than the Member's Primary Use Resort, or a reservation by an owner of a Gold Membership for lodging services at the Villa del Mar Project.

**Section 1.15 Internal Reservation**

Means a reservation by a Member for lodging services at the Project named in the Member's Membership Certificate as the Project which the Member is entitled to use (with respect to Villa del Mar Memberships, Villa del Palmar Vallarta Memberships, Villa del Palmar Cabo Memberships, and Flamingo Memberships and any other added Project) as the Member's Primary Use Resort (with respect to Premier Memberships), or at any Project except the Villa del Mar Project (with respect to Gold Memberships).

**Section 1.16 Maintenance Assessment**

Means the annual fee each Member is required to pay to the Club to cover the cost of services provided by the Club.

**Section 1.17 Member**

Means the owner of a Membership in the Club who has purchased the Membership for the purpose of exercising the lodging rights granted there under, or a Developer Member who has the rights granted in these Bylaws and the Rules and Regulations.

**Section 1.18 Membership**

Means a Member's status as a Member of the Club. The Club shall issue no more than the product of fifty-one (51) Memberships times the total number of Units in all Projects. Each Membership shall be evidenced by a Membership Certificate. There are six (6) types of Memberships: (1) Developer Memberships, (2) Premier Memberships, (3) Gold Memberships, (4) Villa del Mar Memberships, (5) Villa del Palmar Vallarta Memberships, and (6) Villa del Palmar Cabo Memberships.

1. A Developer Class Membership gives a Developer Member certain rights set forth in these Bylaws and the Articles, including the voting and approval rights set forth therein but does not entitle the holder to lodging rights and services.
2. A Premier Membership gives the Member the right to reserve and use lodging rights and services for an unspecified Week during a specified Season in a designated Unit Type in the Project which is identified in the Member's Membership Certificate as the Project which the Member is entitled to use or which is designated therein as the Member's "Primary Use Resort." In order to be guaranteed this right, the Member must request a reservation in accordance with the Rules and Regulations during the first two months of the twenty-four month period in which the Member is entitled to do so. In addition, a Premier Membership gives the Member the privilege, subject to space availability, to reserve lodging rights and services for an unspecified Week during a specified Season in a designated Unit Type in any Project other than the Member's Primary Use Resort. A Premier Membership also entitles the Member to the non-exclusive right to use the Common Areas of any such Project during the Week that the Member is entitled to lodging services at such Project. The term of a Premier Membership shall be thirty (30) years, regardless of termination dates of any other Memberships owned by other Members. A Premier Membership shall entitle the Member to make an Initial Reservation for an Internal Exchange without the payment of an Internal Exchange fee. Subject to these Bylaws and the Rules and Regulations, a Premier Membership entitles the Member to split a Week between two or more Projects. Such Week may be split into two separate stays within the same year, provided that the stay includes a Saturday or Sunday, subject to an additional fee. A Premier Membership, unless specified otherwise in the Membership Certificate, entitles the Member to check-in any available day of the week, provided that the Week falls within the seasonal designation owned.

Notwithstanding any provision in these Bylaws to the contrary, Premier Members who desire to use a Project other than the Project identified on their Membership Certificates as their Primary Use Resort may initiate reservations at the desired Project within ten (10) months prior to the first day of the week sought to be reserved. Those reservations will be accepted on a first come-first served space available basis.

Notwithstanding any provision in these Bylaws to the contrary, non-Premier Members who desire to use a Project other than the Project identified on their Membership Certificates as their Primary Use Resort may initiate reservations at the desired Project no more than sixty (60) days prior to the first day of the week sought to be reserved. Those reservations will be accepted on a first come-first served space available basis. The Club will charge a fee for a non-Premier Member requesting an internal exchange of this nature.

3. A Gold Membership gives the Member the right to reserve and use lodging rights and services for an unspecified Week in a designated Unit Type during a specified

Season at any Project except the Villa del Mar Project. In order to be guaranteed this right, the Gold Member must request a reservation in accordance with the Rules and Regulations during the first eleven (11) months of the twenty-four (24) month period in which the Member is entitled to do so. A Gold Membership also entitles the Member to the non-exclusive right to use the Common Areas of any such Project during the Week that the Member is entitled to lodging services at such Project. The term of a Gold Membership shall be thirty (30) years, regardless of termination dates of any other Memberships owned by other Members. A Gold Membership shall entitle the Member to make an Initial Reservation at any Project except the Villa del Mar Project, and to make an Internal Exchange at the Villa del Mar Project without the payment of an Internal Exchange fee. Subject to these Bylaws and the Rules and Regulations, a Gold Membership entitles the Member to split a Week between two or more Projects. Gold Members may split a Week into two separate stays within the same year, provided the stay includes a Saturday or Sunday, without an additional fee. A Gold Membership, unless specified otherwise in the Membership Certificate, entitles the Member to check-in any available day of the week, provided that the Week falls within the seasonal designation owned. A Gold Member may split its Unit and either use both Units (during the same or separate stay), or use one Unit and exchange the other. For example, if a Gold Member purchases a two bedroom Unit, it may choose to split the reservation into a one bedroom Unit and a large studio Unit, and if a Gold Member purchases a one bedroom Unit, it may choose to reserve two large studio Units.

4. A Villa del Mar Membership means a Fixed Week Membership which includes lodging rights and services for a specific week each Calendar Year in a specific Unit in the Villa del Mar Project and the Common Furnishings related thereto, and the non-exclusive right to use the Common Areas of both the Villa del Mar Project and the Villa del Palmar Vallarta Project as indicated in each Member's Membership Certificate.
5. A Villa del Palmar Vallarta Membership means either (i) a Fixed Week Membership which includes lodging rights and services for a specific week each Calendar Year in a specific Unit in the Villa del Palmar Vallarta Project and the Common Furnishings related thereto or (ii) a Floating Week Membership which includes lodging rights and services for an unspecified Week during a specified Season in a designated Unit Type in the Villa del Palmar Vallarta Project and the Villa del Palmar Project and the Common Furnishing related thereto. Both Fixed Week and Floating Week Memberships in Villa del Palmar Vallarta shall include the non-exclusive right to use the Common Areas of both the Villa del Palmar Vallarta Project and the Villa del Mar Project.
6. A Villa del Palmar Cabo Membership means either (i) a Fixed Week Membership which includes lodging rights and services for a specific Week each Calendar Year in a specific Unit in the Villa del Palmar Cabo Project and the Common Furnishings related thereto or (ii) a Floating Week Membership which includes

lodging rights and services for an unspecified Week during a specified Season in a designated Unit Type in the Villa del Palmar Cabo Project and the Common Furnishings related thereto. Both Fixed Week and Floating Week Memberships in the Villa del Palmar Cabo Project shall include the non-exclusive right to use the Common Areas of the Villa del Palmar Cabo Project.

**Section 1.19 Membership Certificate**

Means a certificate issued which shall specify all of the following information: (a) the name of the person(s) to whom it is issued; (b) the type of Membership; (c) the Member's Primary Use Resort (with respect to Premier Memberships) or the Project in which the Member is entitled to lodging services, or that the Member is entitled to use any Project excluding the Villa del Mar Project (with respect to Gold Memberships); (d) the Unit Type and maximum occupancy of the Unit Type; (e) whether it is a Fixed Week Membership or a Floating Week Membership; (f) the Season (with respect to Floating Week Memberships) or Week (with respect to Fixed Week Memberships) in which the Member is entitled to lodging services, and (g) voting class of the Member.

**Section 1.20 Minutes**

Means the minutes of meetings of the Board of Directors.

**Section 1.21 Off-Site Manager**

Means the professional management company or agent (if any) hired to perform the duties and activities relating to the off-site management of the Club's activities.

**Section 1.22 Personal Charges**

Means a charge against a particular Member and that Member's Membership, directly attributable to, or reimbursable by, the Member, equal to the costs incurred by the Club for corrective action performed pursuant to the provisions of the applicable Rules and Regulations, or a reasonable fine or penalty assessed by the Club, plus interest and other charges thereon as provided for in the applicable Rules and Regulations. Personal Charges shall also include telephone charges, and other special services or supplies attributable to the occupancy of a Unit by a Member.

**Section 1.23 Project**

Means any resort community or property which the Club or any Club Member now or hereafter own or have rights to use pursuant the Membership Certificate.

**Section 1.24 Project Manager**

Means the company or entity responsible for the on-site operation, management and maintenance of any Project, including the Units and the Common Areas of such Project.

**Section 1.25 Property**

Means, with respect to each Project, the real property on which the Project is located, together with all improvements thereon.

**Section 1.26 Rules and Regulations**

Means the rules and regulations established by the Club for the Members' use of the Projects. There shall be but one version of the Rules and Regulations, which shall be applicable to each and every Project. All references in these Bylaws to the "applicable Rules and Regulations" shall mean the Rules and Regulations.

**Section 1.27 Season**

Means any of the following three seasons:

1. Winter Season: Weeks 1-17 and Weeks 44-50, inclusive
2. Summer Season: Weeks 18-43, inclusive
3. Holiday Season: Weeks 51-52 inclusive.

**Section 1.28 Special Assessments**

Means a charge levied against each Member if for any reason the annual Maintenance Assessment is or will become inadequate to meet all expenses incurred by the Club in any given year.

**Section 1.29 Unit**

Means an individual unit in a Project, together with the Common furnishings therein reserved for the use of Members who have purchased Memberships in the Club.

**Section 1.30 Unit Type**

Means the type of Unit as designated in a Member's Membership Certificate in which such Member is entitled to lodging rights and services.

**Section 1.31 Villa del Mar or the Villa del Mar Project**

Means the resort complex known as Villa del Mar located adjacent to the Villa del Palmar Project in Puerto Vallarta, Jalisco, Mexico.

**Section 1.32 Villa del Palmar Vallarta or the Villa del Palmar Vallarta Project**

Means the resort complex known as Villa del Palmar located adjacent to the Villa del Mar Project in Puerto Vallarta, Jalisco, Mexico.

**Section 1.33 Villa del Palmar Cabo or the Villa del Palmar Cabo Project**

Means the resort complex known as the Villa del Palmar located in Cabo San Lucas, Baja California Sur, Mexico.

**Section 1.34 Villa del Mar Property**

Means the real property and all improvements on which the Villa del Mar Project is located.

**Section 1.35 Villa del Palmar Vallarta Property**

Means the real property and all improvements on which the Villa del Palmar Vallarta Project is located.

**Section 1.36 Villa del Palmar Cabo Property**

Means the real property and all improvements on which the Villa del Palmar Vallarta Cabo Project is located.

**Section 1.37 Week**

Means the time period designated in a Member's Membership Certificate during which the Member has the exclusive right to lodging services in a Unit in accordance with these Bylaws and the Rules and Regulations.

1. With respect to Villa del Mar, Villa del Palmar Cabo, and any other Project Fixed Week Memberships, each Week shall consist of a period of seven (7) consecutive days and shall commence each Saturday at 4:00 p.m. local time and shall terminate at 11:00 a.m. local time on the following Saturday.

2. With respect to Villa del Palmar Vallarta Memberships, each Week shall consist of a period of seven (7) consecutive days and shall commence each Saturday or Sunday at 4:00 p.m. local time and shall terminate at 11:00 a.m. local time on the following Saturday or Sunday, as specified in the Member's Membership Certificate.

3. With respect to Villa del Palmar Vallarta and Premier Memberships designated in "Building G", each Week shall consist of a period of seven (7) consecutive days and shall commence each Saturday at 4:00 p.m. local time and shall terminate at 11:00 a.m. local time on the following Saturday.

4. With respect to Premier, Gold Memberships, and any other Project Floating Week Memberships each Week shall consist of a period of seven (7) consecutive days commencing at 4:00 p.m. local time on the Member's check-in date (pursuant to the reservation procedures established under the Rules and Regulations) and terminating at 11:00 a.m. local time seven (7) days thereafter. The Weeks of each year shall be numbered consecutively.

5. For Villa del Mar and Villa del Palmar Fixed Week Memberships, Week number one (1) shall be the Week commencing on the first Saturday in January and Week number fifty-two (52) shall be the Week commencing on the last Saturday in December. For Villa del Palmar Vallarta Memberships, Week number one (1) shall be the Week commencing on the first Saturday or Sunday in January, and Week number fifty-two (52) shall be the Week commencing on the last Saturday or Sunday in December. For Premier, Gold, and any other Project Floating Week Memberships, Week number one (1) shall be the Week commencing on the first Thursday, Friday, Saturday, Sunday or Monday in January, and Week number fifty-two (52) shall be the Week commencing on the last Thursday, Friday, Saturday, Sunday or Monday in December.

6. For Floating Holiday Season owners at any other Project, an Owner may select a check-in date in accordance with the Rules and Regulations, provided however, that the Week shall only include one holiday date within the requested Week, either Christmas Day or New Year's Day.

## **Article II. GENERAL PROVISIONS**

### **Section 2.01 Name**

The name of the corporation is the UNIVERSAL VACATION CLUB, hereinafter referred to as the "Club." The principal office of the Club shall be in California or at such other place consistent with California law as may be designated by the Board.

### **Section 2.02 Application**

The provisions of these Bylaws are applicable to each Project including, without limitation, any additional Units, buildings or other improvements which may be constructed on any of the Projects. The mere acquisition of any Membership in the Club or the mere act of using the lodging rights and services in any Unit in which the Club has lodging rights will signify that these Bylaws are accepted, ratified, and will be complied with by such Member.

### **Section 2.03 Statement of Purpose**

The Club has been formed for the purposes of using, occupying, managing, and maintaining the Projects for the benefit of the Members of the Club and of promoting various sorts of pleasure, leisure, exercise and recreation of its Members and is more specifically described in the Club's Articles of Incorporation.

## **Article III. VOTING BY CLUB MEMBERSHIP**

### **Section 3.01 Qualification**

Each purchaser of a Membership shall be a Member of the Club. If a Membership is owned by more than one person, all such persons shall be Members of the Club; provided, however, that for the purposes of representation of such Membership with regard to the affairs of the Club and the voting of the Members of the Club, such Membership shall be paid in full and represented by and entitled to only one (1) vote which shall be cast and exercised in accordance with the provisions of these Bylaws.

### **Section 3.02 Classes of Voting Members**

The Club shall have two classes of voting Members: (1) Developer Class, and (2) Member Class. Developer Class means the Developer Members all as one group. Member Class means the holders of Memberships in the Projects as well as Premier Memberships, and Gold Memberships all as one group. There shall be no more voting Memberships than the product of fifty one (51) times the total number of Units in all the Projects.

### **Section 3.03 Voting Rights**

Each Membership shall be entitled to one (1) vote. The "voting power" of the Membership or Club, as that term shall be used in the Articles of Incorporation, Bylaws, and the Rules and Regulations shall mean the combined votes associated with all the

Memberships in the Club consisting of (1) unsold Memberships, including those held or controlled in person or by written proxy by the Developer Members; (2) Memberships not paid in full, including those held or controlled in person or by written proxy by the Developer Members; and (3) Memberships paid in full, including those held or controlled in person or by written proxy. For purposes of the Articles of Incorporation and these Bylaws a vote or decision of the Members shall be the same as a vote or decision by the voting power of the Club or Members, and vice versa.

#### Section 3.04 **Quorum**

Except as otherwise provided in these Bylaws, the presence in person or by written proxy of at least ten percent (10%) of the voting power of the Club (excluding voting power suspended in accordance with these Bylaws or the Rules and Regulations) shall constitute a quorum of the Membership. 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 to leave less than a quorum.

#### Section 3.05 **Class Quorum**

The Members of a class of voting Members, as defined in Section 3.02, present in person or by written proxy at a duly called or held meeting at which a quorum is present may elect Directors as set forth in Article V provided that a “Class Quorum” is present in person or by written proxy at such meeting. A Class Quorum shall mean ten percent (10%) of the voting power of that specific class of voting Members. In calculating the percentage of the voting power present in person or by written proxy at the meeting of a class of voting Members and in determining the total number of outstanding Memberships for such class, a Class Quorum shall include any votes or written proxies held by any Developer Member on behalf of any Members whose Memberships are unsold or paid in full, but shall not include any written proxies held by any Developer Member on behalf of any Members whose Memberships are not paid in full.

#### Section 3.06 **Proxies**

Votes may be cast in person or by proxy and all proxies must be in writing. Proxies distributed to Members must meet all title requirements for written ballots set forth in Section 4.08 below and must include the name of the person to whom the written proxy is given.

### **Article IV. ADMINISTRATION**

#### Section 4.01 **Club Responsibilities**

The Club shall have the responsibility of administering the Club Membership program, approving the annual budget, and establishing the annual budget and establishing and collecting all dues and assessments. The Club may delegate such duties and responsibilities in accordance with these Bylaws and the applicable Rules and Regulations of the Club. The Club shall also have the responsibility of arranging for the on-site operation, management and maintenance of the Project by contracting with third parties.

#### **Section 4.02 Place of Meetings of Members**

Meetings of the Members shall be held at a suitable place reasonably convenient to the largest possible number of Members as may be designated by the Board of Directors.

#### **Section 4.03 Annual Meetings of Members**

The first annual meeting of Members shall be held within one (1) year after the first closing for the sale of a Membership in the Club. Thereafter, the annual meetings of the Members shall be held on or about the anniversary date of the first annual meeting. At the applicable annual meetings the Members shall elect members of the Board of Directors of the Club in accordance with the requirements of these Bylaws and the applicable Rules and Regulations of the Club. The Members may also transact such other Club business as may properly come before them.

#### **Section 4.04 Special Meetings of Members**

It shall be the duty of the Board to call a special meeting of the Members, if so directed by resolution of a majority of the Board of Directors, or upon receipt by the Secretary of the Club of a petition signed by Members representing at least five percent (5%) of the total voting power of the Club. The notice of any special meeting shall be given within twenty (20) days after adoption of such resolution or receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than thirty-five (35) days or more than ninety (90) days after adoption of such resolution or receipt of such petition. No business shall be transacted at a special meeting except as provided for in the notice.

#### **Section 4.05 Notice of Meetings to Members**

It shall be the duty of the secretary to send a notice by first-class mail to each Member of record, of each annual or special meeting, at least thirty (30) days but not more than ninety (90) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. The Board of Directors may establish a day in the future as a record date for the determination of the Members entitled to notice of any meeting of Members, provided that the record date so fixed shall be not less than thirty (30) days nor more than sixty (60) days prior to the date of the meeting. Only Members who on the record date for notice of the meeting are entitled to vote thereat, shall be entitled to notice of such meeting, notwithstanding any transfer of or issuance of Membership Certificates on the books of the Club after the record date.

#### **Section 4.06 Adjourned Meetings**

If any meeting of Members cannot be organized because a quorum is not present, no business shall be conducted and the presiding officer shall adjourn the meeting "sine die."

#### Section 4.07 **Order of Business**

The order of business at all meetings of the Members shall be substantially as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of the minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of elections (at annual meetings or special meetings at which elections will be conducted); (g) election of Directors (at annual meetings or special meeting held for such purpose); (h) unfinished business; and (i) new business.

#### Section 4.08 **Action Without Meeting**

Any action which may be taken at a meeting of the Members may be taken without a meeting if the following requirements are met:

(a) a written ballot is distributed to every Member entitled to vote setting forth the proposed action, providing an opportunity to signify approval or disapproval of the proposal and providing a reasonable time for the Member to complete the ballot and return it to the Club.

(b) The written ballot distributed to every Member affords an opportunity for the Member to specify a choice between approval and disapproval of each order of business proposed to be acted upon by the Club and further provides that the vote of the Member shall be cast in accordance with the choice specified.

(c) The number of votes cast by written ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action.

(d) The number of approvals of the action equals or exceeds the number of votes required to approve the action had it been taken at a meeting at which the total number of votes cast was the same as the number of votes cast by written ballot.

#### Section 4.09 **Consent of Absentees**

The actions taken at any meeting of Members, either annual or special, however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by written proxy, and if, either before or after the meeting, each of the Members not present in person or by written proxy, 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 or made a part of the minutes of the Meeting.

#### Section 4.10 **Minutes, Presumption of Notice**

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

**Section 4.11 Action of the Club Requiring Membership Approval**

Notwithstanding any other provision in these Bylaws, ninety percent (90%) of the votes of all Members shall be required to approve the dissolution of the Club or the merger of the Club with any other organization prior to dissolution. The following acts cannot be taken without the approval by a majority of the Developer Class Members:

1. Amendment of the Articles or Bylaws; and/or
2. Removal of a Director authorized to be elected by the Developer Class.

**Article V. BOARD OF DIRECTORS**

**Section 5.01 Number and Qualification**

The affairs of the Club shall be governed and managed by a Board of Directors composed of eight (8) persons, consisting of three (3) Member Directors and four (4) Developer Directors, as well as the President of the Club, as described herein. The authorized number of Directors may be changed by a duly adopted amendment to these Bylaws. Until such time as the Designated Director is selected and becomes a voting member of the Board pursuant to Section 5.06 of these Bylaws, all matters brought before the Board shall be decided by the vote of three (3) Member Directors and the four (4) Developer Directors.

**Section 5.02 Powers and Duties**

The Board of Directors has the power and duties necessary to administer the affairs of the Club, and the authority to perform any act necessary to fulfill those powers and duties, provided such act is not inconsistent with the law, the Articles of Incorporation, these Bylaws or the Rules and Regulations. The Board of Directors also has the general power to perform any acts which the law or these Bylaws does not require to be performed by the Members.

**Section 5.03 Special Powers and Duties**

The Board of Directors is hereby vested with the specific powers and duties described herein below:

(a) The power and duty to select, appoint, and remove all officers, agents and employees of the Club, and to prescribe such powers and duties for them as may be consistent with law, the Articles of Incorporation and these Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) With the approval of the Members representing at least a majority of the voting power of the Club, the power but not the duty to borrow money and to incur indebtedness for the purposes and benefit of the Club, and to cause to be executed and delivered therefor, in the Club's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(c) With the approval of Members representing at least a majority of the voting power of the Club, the power to authorize an additional class of voting Members.

(d) The power and duty to fix and levy upon Members from time to time the Maintenance Assessments, Special Assessments and Personal Charges as provided in the applicable Rules and Regulations; to determine and fix the due date for the payment of such Maintenance Assessments, Special Assessments and Personal Charges, and date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only for the following reasons: (a) to provide for the payment of the Management Fee payable by the Club to the Project Manager; or (b) expenses incurred in performing or causing to be performed any of the purposes of the Club for the general benefit and welfare of its Members. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes. The amount of the Maintenance Assessments, Special Assessments or the Personal Charges for each Project shall be determined by the Board of Directors. Should any Member fail to pay such Maintenance Assessments, Special Assessments or Personal Charges when due, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent amounts.

(e) The power and duty to enforce the provisions of these Bylaws or other agreements of the Club entered into pursuant to these Bylaws.

(f) The power and duty to employ personnel necessary for the operation and management of the Club Membership program, including without limitation legal and accounting services.

(g) The power and duty to employ personnel necessary for the on-site operation, management and maintenance of the Project, including, without limitation, the Project Manager.

(h) The power but not the duty to delegate its power according to law, and subject to the approval of the Members, to adopt these Bylaws.

(i) The power and duty to adopt and from time to time amend one set of Rules and Regulations applicable to all Projects as the Board may deem necessary for the management of all of the Projects, which Rules and Regulations shall become effective and binding after they are adopted by a majority of the Board at a meeting called for that purpose or by the written consent of the Board. Said Rules and Regulations are incorporated by reference herein. Such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Articles of Incorporation and these Bylaws and the Rules and Regulations may not be used to amend either of said documents.

#### **Section 5.04 Off-Site Management**

The Board of Directors may engage on behalf of the Club an Off-Site Manager at a compensation established by the Board to perform such duties and services relating to the

off-site management of the Club's activities as the Board shall authorize. Such off-site agreement must provide for termination by the Board with or without cause upon no more than thirty (30) days' written notice. Any dispute between the Club and the Off-Site Manager shall be submitted to arbitration in accordance with the rules of commercial arbitration of the American Arbitration Association. The location of the arbitration shall be the county in which the Club's primary office is located. The cost of arbitration shall be borne equally by the Club and the Off-Site Manager. The Off-Site Manager must be required to give the Club at least ninety (90) days' written notice of its intention to resign.

#### **Section 5.05 Project Manager**

The Board of Directors shall engage on behalf of the Club a Project Manager at a compensation established by the Board to perform such duties and services relating to the on-site management, operation and maintenance of the Club's activities as the Board may authorize. The Board of Directors, in its discretion, may hire a separate Project Manager for each Project.

#### **Section 5.06 Election and Term of Office**

Notwithstanding anything to the contrary in these Bylaws, any votes or written proxies held by Developer Members on behalf of other Memberships that are unsold or that are paid in full shall be eligible to be voted by Developer Members in electing Member Directors pursuant to this Section 5.06, but any written proxies held by Developer Members on behalf of other Memberships not paid in full shall not be voted by Developer Members in electing Member Directors pursuant to this Section 5.06.

(a) A majority of the Members present either in person or by written proxy and voting (including written proxies held by Developer Members on behalf of any Memberships that are unsold or that are paid in full, but not including written proxies held by Developer Members for Memberships not paid in full) at a duly called or held meeting at which a Class Quorum is present shall elect, by secret written ballot, the Member Director(s) to succeed those Member Director(s) whose terms are then expiring. That voting shall not be cumulative and each Member shall only be able to cast one (1) vote for each Member Director candidate. The three (3) Member Directors elected by the Members (and Developer Members as described in this Section 5.06(a)), shall collectively be referred to as the "Member Directors."

Four (4) Directors (the "Developer Directors") shall be elected by a majority of members of the Developer Class present and voting in person or by written proxy at a duly called meeting at which a quorum of the Developer Class is present. One (1) Director shall be duly appointed by the three (3) Member Directors and three (3) of the four (4) Developer Directors, to act as President of the Club. The Developer Directors shall decide among themselves which three (3) Developer Directors shall vote for the Director who shall also act as President. Any dispute regarding the designation of such Director as President of the Club shall be resolved pursuant to Section 5.19 of these Bylaws.

In the event the position of such Director and President of the Club becomes vacant, such Director shall be designated by the three (3) Class Member Directors and three (3) of the four (4) Developer Directors and duly appointed as acting President of the Club. The Developer Directors shall decide among themselves which three (3) Developer Directors shall vote for the Director who shall also act as President. Any dispute regarding the designation of such Director as President of the Club shall be resolved pursuant to Section 5.19 of these Bylaws.

In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose.

The Directors shall be elected for a term of three (3) years. Each Director shall hold office until his or her successor has been elected or until that Director's death, resignation, removal or judicial adjudication of mental incompetence. The term of office of each Director elected to fill a vacancy created by the resignation, death or removal of his or her predecessor shall be the balance of the un-served term of that Director's predecessor. Any person serving as a Director may be re-elected. Commencing with the 2005 election of Directors at the Annual Meeting of the Members of the Club, a Member Director shall not serve more than two (2) consecutive terms without the approval of a majority of the remaining Directors. There shall be no limitation on the number of terms during which a Developer Director may serve.

(b) Directors may be elected by written ballot without a meeting pursuant to the provisions of Section 4.08.

(c) Other than the designation of the President to the Board of Directors pursuant to Section 5.06(a), the election of the Directors shall be held on a staggered basis.

#### Section 5.07 **Books, Records**

The Board of Directors shall maintain or cause to be maintained a full set of books and records showing the financial condition of the Club in a manner consistent with generally accepted accounting principles. The Board shall prepare and distribute to each Member within one hundred twenty (120) days of the last day of the Club's Calendar Year, an annual report of the financial condition of the Club. The accounting books and records and minutes of proceedings of the Members and the Board, and Committees of the Board, shall be open to inspection upon the written demand on the Club by any Member, at any reasonable time, for a purpose reasonably related to such persons interests as a Member. The Board shall establish reasonable rules with respect to (i) the notice and inspection; (ii) the hours and days of the week when such an inspection may be made; and (iii) payment of the cost to produce copies of documents in response to a lawful request by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Club, and the property then controlled by the Club. The right of inspection by a Director shall include the right to make extracts and copies of documents.

#### Section 5.08 **Vacancies**

Vacancies in the Board of Directors for Member Directors and caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of the majority of the Members at a special meeting of the Members called for such purpose. Vacancies in the Board of Directors for Developer Directors can only be filled by vote of the majority of the Developer Members. A vacancy in the Board position designated for the President shall be filled pursuant to Section 5.06 of these Bylaws.

#### Section 5.09 **Removal of Directors**

A Director elected or selected by the Members or Directors may only be removed by a vote of the Members or such Directors. At any duly called regular or special meeting of the Members (or Directors in the case of the President) or by written ballot without cause by a majority vote of the Members or Directors that elected such Director or Directors, and a successor may then and there be elected such Director or Directors, and a successor may then and there be elected pursuant to Section 5.06 to fill the vacancy thus created, provided that the questions of removal of the Directors whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the Meeting. Where the entire Board of Directors is not removed at one time, no Director shall be removed prior to the expiration of that Director's term of office if the votes cast against removal or written ballots cast against such removal would be sufficient to elect such Director if a vote was taken at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all votes entitled to be voted were cast) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting.

#### Section 5.10 **Organizational Meeting of the Board**

The first regular (organizational) meeting of a newly elected Board of Directors for the purpose of organization, election of officers and the transaction of other business shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected. No notice shall be necessary to the newly elected Directors in order that such meeting be legally held provided that (i) a majority of the whole Board shall be present when the time and place are announced at the Membership meeting and (ii) the meeting is held on the same day and the same place as the meeting of the Members at which the newly constituted Board was elected.

#### Section 5.11 **Regular Meetings of the Board**

Regular meetings of the Board of Directors shall be open to all Members, other than executive session meetings, provided that Members who are not Directors may not participate in any deliberation or discussion at such regular meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors in attendance at that meeting. Regular meetings may be held at such time and place reasonably convenient to the Directors as shall be determined, from time to time, by resolution adopted by a majority of a quorum of the Directors; provided, however, that such

meetings shall be held no less frequently than annually. Notice of the time and place of regular meetings of the Board of Directors shall be given in writing to each Director, personally, by mail, or by other written or electronic communication, at least thirty (30) days prior to the date named for such meeting.

#### **Section 5.12 Special Meetings of Board**

Special meetings of the Board of Directors shall be open to all Members, other than executive session meetings of the Board of Directors, provided that Members who are not Directors may not participate in any deliberation or discussion at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special Meetings of the Board of Directors meetings may be called by the chair of the Board or President or any Vice President or the Secretary or any two (2) Directors. Special Meetings of the Board shall be held upon at least four (4) days' written notice by first class mail or upon forty-eight (48) hours' notice if delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. Such notice, or waiver of notice need not specify the purpose of any special meeting or the Board of Directors. Whenever any Director has been absent from any special meeting of the Board, an entry in the Minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

#### **Section 5.13 Waiver Of Notice**

At or before any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to such Director. Attendance by a Director at any meeting of the Board shall be a waiver by that Director of personal notice of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions taken at any meeting of the Board, however called and notice of wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum be present and (ii) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to the holding of such meeting, or an approval of the Minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Club or made part of the Minutes of the meeting.

#### **Section 5.14 Action Without Meeting**

Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors 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. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

### Section 5.15 **Quorum and Adjournment**

Except as otherwise provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.

### Section 5.16 **Fidelity Bonds**

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

### Section 5.17 **Committees**

The Board of Directors may by resolution from time to time designate such committees as it shall deem necessary or desirable and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members and a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board.

### Section 5.18 **Minutes**

Minutes of the meetings of the Board of Directors shall be distributed to Members and/or posted within the Property in a prominent place within sixty (60) days after the holding of such meeting.

### Section 5.19 **Arbitration**

In the event the Board is unable to resolve any matter brought before it due to a deadlock in the voting of the Board members, and such deadlock continues after a good faith attempt to resolve the matters, such matter will be submitted to binding arbitration in accordance with the Arbitration Rules of the American Arbitration Association. The location of the arbitration shall be in county in which the Club's primary office is located. The cost of arbitration shall be borne equally by the Club and the Developer Members. The arbitration shall be conducted by a panel of three (3) neutral arbitrators who are independent and disinterested with respect to the affairs of the Club, membership in the Club, or the governance or management of the Club. The three (3) Member Directors shall appoint one neutral arbitrator, three (3) of the four (4) Developer Directors shall appoint one (1) neutral arbitrator, and these two (2) arbitrators so selected shall then select the third (3<sup>rd</sup>) arbitrator. If one group of three (3) Directors has given written notice to the other group of three (3) Directors as to the identity of the arbitrator appointed by the group of three (3) Directors, and thereafter makes a written demand on the other group of three (3) Directors to appoint its designated arbitrator within the next fifteen (15) days, and the other group of three (3) Directors fails to appoint its designated arbitrator within fifteen (15) days after receiving said written demand, then the arbitrator who has already been designated shall appoint the other two arbitrators. The decision of the arbitrators shall be final and judgment upon the decision of any award rendered by the arbitrators may be enforced in any court having jurisdiction thereof. In the event the three (3) Member Directors and three (3) of the four (4) Developer Directors are unable

to agree upon the individual who shall be the Director who shall also serve as the President, the panel of three (3) neutral arbitrators shall select that Director from a list of four (4) candidates, two (2) of which shall be nominated by the three (3) Member Directors and two (2) of which shall be nominated by three (3) of the four (4) Developer Directors.

## **Article VI. OFFICERS**

### **Section 6.01 Designation**

The principal officers of the Club shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors; provided, however, that the President shall be designated in accordance with Section 5.06 of these Bylaws. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary, and such other officers as in the Board's judgment may be necessary. Officers need not be Directors. One person may hold more than one office.

### **Section 6.02 Election of Officers**

The officers of the Club shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors, and each officer shall hold his office at the pleasure of the Board of Directors, until that officer shall resign or be removed or otherwise disqualified to serve or that officer's successor shall be elected and qualified to serve.

### **Section 6.03 Removal of Officers**

Any officer may be removed with or without cause and that officer's successor elected upon an affirmative vote of a majority of the Board of Directors taken at a regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose; provided, however, that the President may only be removed pursuant to Section 5.06 of these Bylaws. Any officer may resign at any time by giving written notice of such resignation to the Board or to the President or Secretary of the Club. Any such resignation shall take effect as of the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

### **Section 6.04 Compensation**

Directors and officers shall not receive any salary or other compensation for their services as Directors and officers provided, however, that (i) nothing herein contained shall be construed to preclude any Director or officer from serving the Club in some other capacity and receiving compensation therefor, and (ii) any Director or officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties. Agents and employees may receive such salary or other reasonable compensation for their services as may be authorized by the Board of Directors. Directors shall be entitled to reimbursement for transportation expenses incurred in connection with the performance of his or her duties as a Director and a reasonable per diem for attendance at Board meetings. Appointment of any officer, agent or employee shall not of itself create

contractual rights of compensation for services performed by such officer, agent or employee.

**Section 6.05      President**

The President shall be the chief executive officer of the Club. The President shall be designated by the Board pursuant to Section 5.06 of these Bylaws. The President shall preside at all meetings of the Club and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Article V, Section 5.17, to appoint committees from among the Members from time to time as the President may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Club. The President shall, subject to the control of the Board of Directors, be responsible for supervision, direction and control of the business of the Club. The President shall be ex-officio a member of all standing committees, and he or she shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

**Section 6.06      Vice President**

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

**Section 6.07      Secretary**

The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the Members of the Club at the principal office of the Club or such other place as the Board of Directors may order. The Secretary shall keep the seal of the Club in safe custody and shall have charge of such books and papers as the Board of Directors may direct, and the Secretary shall, in general, perform all of the duties incident to the office of the Secretary. The Secretary shall give, or cause to be given, any notices of meetings of the Members and of the Board of Directors required by these Bylaws or by law to be given. The Secretary shall maintain a record book of Members, listing the names and addresses of the Members, as furnished to the Club by such Members, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Membership is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

**Section 6.08      Treasurer**

The Treasurer shall be the chief financial officer of the Club and shall have responsibility for Club funds and securities and shall be responsible for keeping or causing to be kept, full and accurate accounts, tax records and records of the business transactions of the Club, including accounts of all assets, liabilities, receipts, and disbursements in books belonging to the Club. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Club in such depositories as

may from time to time be designated by the Board of Directors. In addition to such other powers and duties as may be prescribed by the Board of Directors or these Bylaws, the Treasurer shall disburse the funds of the Club as may be ordered by the Board of Directors, and shall render to the President and Directors, upon request, an account of all of his **or her** transactions as Treasurer and of the financial conditions of the Club.

## **Article VII. AMENDMENTS TO BYLAWS**

### **Section 7.01 Amendment by Members**

Subject to Section 4.11 above, all or any portion of these Bylaws may be amended by the vote or written consent of at least seventy-five percent (75%) of the Members present and voting, in person or by written proxy, at a duly-called meeting of the Members, at which a quorum is present, provided that the general nature of any proposed amendment is described in the notice of the meeting. To the extent that a particular provision of these Bylaws requires the approval of a specified percentage of all Members or of Members participating in a duly-called meeting, that provision may only be amended by a vote equal to or greater than that required for action under that provision.

### **Section 7.02 Amendment by the Board of Directors**

Subject to Section 4.11 above, and except for any amendment which must be approved by the Members pursuant to the California Nonprofit Corporation Law and except for any amendment which will remove any material rights of the Members or Developer Members as provided under these Bylaws, the Board of Directors may amend any provision of these Bylaws at any regular or special meeting of the Board.

## **Article VIII. GOVERNING LAWS AND CONFLICTING PROVISIONS**

These Bylaws shall be interpreted in accordance with the laws of the State of California, United States of America, without giving effect to those principles of conflict of laws that might otherwise require the application of the laws of another jurisdiction. In the event that any provision of these Bylaws conflicts with any provisions of the laws of the state of California, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other provisions of these Bylaws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control.

## **Article IX. INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Club shall indemnify each Director and each officer of the Club to the greatest extent provided by Section 7237 of the California Nonprofit Corporation Law.

## **Article X. MISCELLANEOUS**

### **Section 10.01 Checks, Drafts and Documents**

All checks, drafts, orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Club, 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 10.02 Execution of Documents**

The Board of Directors 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 Club, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Club by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

### **Section 10.03 Inspection of Bylaws**

The Club shall keep in its office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members in accordance with Article V, Section 5.07 hereof.

### **Section 10.04 Calendar Year**

The Calendar Year of the Club is from January 1<sup>st</sup> to December 31<sup>st</sup> and is subject to change from time to time.

### **Section 10.05 Membership Book**

The Club shall keep and maintain in its office for the transaction of business a database containing the name and address of each member. Any termination or transfer of membership shall be recorded in the database, together with the date on which such Membership ceased or was transferred.

## **Article XI. SUSPENSION OF VOTING RIGHTS; IMPOSITION OF MONETARY PENALTIES**

### **Section 11.01 Suspension of Rights**

If the Club has not received payment of the Maintenance Assessment from ~~the~~ a Member within sixty (60) days after such payment is due, the Club shall deliver a "First Delinquent Notice" to the Member. The First Delinquent Notice shall, among other things, assess a ten percent (10%) late fee to the Member. Following the delivery of the

First Delinquent Notice, the Club will not accept reservation requests from the Member, will not mail reservation confirmations to the Member, and will cancel any existing reservations the Member may already have made and confirmed (such cancellation may subject the Member to a cancellation fee). Once the First Delinquent Notice has been delivered, the Club shall no longer have any obligation to guarantee the Member's right to reserve lodging services at any Project, even if the delinquent payment is thereafter received by the Club. If the delinquent payment (including late fees and other charges) is not received by the Club within thirty (30) days after the Club's delivery of the First Delinquent Notice, the Club shall deliver a "Second Delinquent Notice" to the Member. The Second Delinquent Notice shall, among other things, assess a reinstatement fee to the Member (which fee shall be set and increased at the Club's discretion), together with interest of ten percent (10%) per annum on the overdue amounts, effective as of the date of the Second Delinquent Notice. In addition, the Second Delinquent Notice shall notify the Member that the Club intends to cancel the Member's Membership if the overdue amounts (together with all fees and interest) are not paid immediately. In no event shall a Member be allowed to exercise the lodging rights and services associated with his or her Membership(s) prior to having paid all Maintenance Assessments (plus any Late Charges) which are owed (both for the current Calendar Year and past Calendar Years) on each of his or her Membership(s). If a Member's rights to use his or her Membership are forfeited or suspended due to failure to pay Maintenance Assessments, the Club shall have the right to rent the Unit attributable to the Membership during the Member's Week, and to receive the rental there from. The First Delinquent Notice and the Second Delinquent Notice shall be delivered to the last address shown for the Member in the records of the Club.

#### **Section 11.02      Suspension and Monetary Penalties**

Apart from suspension from privileges for nonpayment of assessments as provided in Section 11.01 above, the Board shall also have the right to suspend such Member's voting rights for a period not to exceed thirty (30) days and to impose monetary penalties for any other failure to comply with the Rules and Regulations by any Member, his or her servants, guests, tenants, invitees or the members of his or her family; provided that any suspension of voting rights shall be made, or monetary penalties imposed by the Board for any reason other than nonpayment of Assessments, only after a duly called meeting of the Board at which a quorum of the Board is present, held for such purpose in the same manner as provided in these Bylaws for the noticing, calling, and holding of a special meeting of the Board. 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, at the Board's option, present either a written or oral defense to the charges. 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 in person or by written proxy. No suspension of voting rights or imposition of monetary penalties shall be effective unless and until written notice of the suspension has been given to the Member, which notice shall include the reason(s) therefore and the length of the suspension, and not less than five (5) days have elapsed after the aforesaid Board meeting. The Board may delegate to

the Off-Site Manager or the Project Manager the authority to carry out the disciplinary actions imposed by the Board.

## **Article XII. DISSOLUTION**

### **Section 12.01 Dissolution**

The Club shall continue so long as it owns any use rights to any of the Projects. The Board of Directors may, in its discretion, cause the Club to dissolve upon the final sale, expiration or disposition of the last of such use rights.

### **Section 12.02 Distribution of Assets on Dissolution**

Upon the winding up and dissolution of the Club, after paying or adequately providing for the debts and obligations of the Club, the remaining assets shall be distributed to the Members of the Club. All assets shall be distributed to the Members in the same proportion as the number of Memberships owned by each Member bears to the total number of all Membership Certificates issued as of the date of dissolution of the Club, provided that no distribution shall be made to any Member until such amounts as may be then due under the Membership Certificate covering such Member's Membership have been paid in full, and until all Assessments have been paid in full.