



BYLAWS
OF
OCHO CASCADAS

BYLAWS OF THE OCHO CASCADAS ASSOCIATION

These Bylaws of The Ocho Cascadas Association (the "Bylaws") is made this 03 day of February, 2014, by The Ocho Cascadas Association, a California non-profit mutual benefit corporation (the "Association") and by Compania del Rey, L.P., a California limited partnership (the "Developer").

R E C I T A L S

A. Banco Mercantil del Norte, S.A. Institucion de Banca Multiple, Grupo Financiero Banorte, Division Fiduciaria (the "Trustee") is the owner, as trustee, of that certain real property (Lots 13, 15 and 16, as such lots are more particularly described in Exhibit "A" attached hereto and made a part hereof), located in Puerto Vallarta, Jalisco, Mexico. Trustee holds legal title to Lots 13 and 16 under one trust agreement dated March 2, 2004 (the "Lots 13 and 16 Trust Agreement"). Trustee also holds title to Lot 15 under a separate trust agreement which is also dated March 2, 2004 (the "Lot 15 Trust Agreement"). The Lots 13 and 16 Trust Agreement and the Lot 15 Trust Agreement are collectively hereinafter referred to as the "Trust Agreements."

B. Lot 15 is presently improved with nine (9) dwellings (each a "Villa"). Lot 16 is presently improved with an elevator installation, a reception office and back-office space (the "Administrative Facilities"). Lot 13 is currently a vacant lot.

C. The Trust Agreements each have a term which expires on March 2, 2054, which shall be renewed if then possible under applicable laws of Mexico, subject to the rights of the beneficiaries thereunder to determine, within the limits of such then applicable Mexican laws, how title to Lots 13, 15 and 16 shall be held or disposed of on and after March 2, 2054, if renewal of the Trust Agreements is not then possible under Mexican law.

D. The Developer intends to assign its rights under the Lot 15 Trust Agreement to the Association in exchange for all of the memberships in the Association, which the Developer intends to sell and to assign to members of the general public. The Developer further intends to assign its rights in and to Lot 16 under the Lots 13 and 16 Trust Agreement to the Association as part of the foregoing exchange for all of the memberships in the Association. In exchange for additional memberships in the Association, the Developer further intends to assign all or part of its remaining rights in and to Lot 13 under the Lots 13 and 16 Trust Agreement, to the Association, if the Developer elects, in its sole discretion, to construct additional villas upon Lot 13 and annex such additional villas under the plan of these Bylaws in accordance with Article VIII herein. Further, in the event the Developer acquires the right to use and occupy other property which adjoins or which is in the immediate vicinity of Lots 13, 15 and 16 and assigns or conveys these rights to the Association in exchange for memberships in the Association, Developer intends that other property shall also be annexable under the plan of these Bylaws in accordance with Article VIII herein.

E. As used herein, the term "Ocho Cascadas" shall mean Lots 15 and 16, as improved, and any additional parts of the Annexable Property, as defined below, that the Association shall have the right to use, occupy, manage and maintain, including, without limitation, the villas and other improvements thereon.

F. The Developer intends to enter into "Membership Purchase and Security Agreements" with members of the general public, pursuant to which a purchaser of a "Permanent Membership" will receive an exclusive right to use and occupy a particular "Villa" and a non-exclusive right to use and occupy the "Common Area" of Ocho Cascadas for a fixed "Use Period" each "Use Year," for a term which expires concurrently with the Trust Agreements. The term of the Lot 15 Trust Agreement and the Lots 13 and 16 Trust Agreements continue until March 2, 2054. Thereafter, a Permanent Member will have such use rights as shall be consistent with the interest of the Association in Ocho Cascadas, as determined by the Permanent

Members and implemented by the Board of the Association in its instructions to the trustee under the Trust Agreements, as more particularly set forth in Section 4.2(z), below. Provided that the then applicable law so permits, it is the intent of the Developer and the Association to provide herein for the obligation of the Permanent Members to opt for and to require the Board of the Association to instruct the trustee under the Trust Agreements, prior to March 2, 2054, to renew and to extend the term of the Trust Agreements, so that the use rights in Ocho Cascadas related to the Permanent Memberships, on and after the expiration of the Trust Agreements in 2054, are the same as the use rights for such Permanent Memberships prior to such date.

G. Developer intends that no Permanent Member who has, as of March 2, 2054, paid Developer, or Developer's successors and assigns, the purchase price of his Permanent Membership in full, shall be obligated to pay the Developer any additional consideration for his Permanent Membership upon renewal of the Trust Agreements, or any other disposition of Ocho Cascadas by the Association in lieu of renewal of the Trust Agreements.

H. All of the quoted terms above shall have the meanings set forth in Article I of these Bylaws.

I. The Association intends that each Permanent Member, for each Permanent Membership owned, shall have the right to use and occupy Ocho Cascadas as hereinafter set forth, which provisions have been incorporated by reference into such Permanent Member's Membership Purchase and Security Agreement.

NOW, THEREFORE, in furtherance of such intent, the Developer and the Association hereby declare that Ocho Cascadas, and the improvements thereto, including, without limitation, the Villas and the personal property therein shall be held, shared, used, occupied and improved by the Association and its Permanent Members in accordance with the provisions hereinafter set forth.

ARTICLE I. DEFINITIONS

As used herein, the following terms shall have the following meanings:

1.1 "Administrative Common Area" means each portion of the Common Area designated on the Villa Plan, as amended from time to time, as an Administrative Common Area and which area is designated for the exclusive use by the Managing Agent and its employees and agents for use in the operation, management, maintenance and repair of Ocho Cascadas.

1.2 "Annexable Property" those portions of Lot 13 and any other property which adjoins or which is in the immediate vicinity of Lots 13, 15 and 16 which are subject to annexation under the plan of these Bylaws pursuant to a Declaration of Annexation in accordance with the provisions of Article VIII ("Annexation and Deannexation") of these Bylaws.

1.3 "Annexed Property" those portions of the Annexable Property that have been annexed hereunder pursuant to a Declaration of Annexation in accordance with the provisions of Article VIII ("Annexation and Deannexation") of these Bylaws.

1.4 "Annexation Date" means, with respect to each portion of the Annexable Property annexed hereunder pursuant to the provisions of Article VIII of these Bylaws, the date on which the Declaration of Annexation for such Annexable Property is tendered by the Developer to the Secretary of the Association.

1.5 "Annual Report" means a report to Owners comprising (a) a balance sheet relating to the Association as of the last day of a Fiscal Year, (b) an operating statement for such Fiscal Year, (c) a

statement of the net changes in financial position of the Association for such Fiscal Year, and (d) a list of the names, mailing addresses and telephone numbers of the members of the Board.

1.6 “Articles” means the Articles of Incorporation of the Association which are, or will be, filed in the Office of the Secretary of State of California, as said Articles may be amended from time to time.

1.7 “Assessments” means, collectively, the Basic Assessment, Special Assessment and Reconstruction Assessment.

1.8 “Basic Assessment” Means an amount determined by the Board as follows:

(a) Determine (i) which of the Common Expenses vary according to the relative sizes of the Villas (the “Variable Costs”), (ii) the total area in square feet of all Villas in the aggregate (the “Total Square Footage”), (iii) the total area in square feet of a typical Villa of each type (the “Villa Area”) and (iv) the total amount of all Common Expenses (the “Total Cost”).

(b) Determine the Variable Costs per square foot by dividing Variable Costs by the Total Square Footage.

(c) Determine the Variable Costs for each Villa of each type by multiplying the Variable Costs per square foot by the Villa Area for each type of Villa (the “Variable Cost/Villa”).

(d) Determine the fixed cost per Villa (the “Fixed Cost/Villa”) by subtracting Variable Costs from Total Cost and dividing the result by the total number of Villas.

(e) Determine the Basic Assessment for each Permanent Membership in each type of Villa by adding the Fixed Cost/Villa to the Variable Cost/Villa and dividing the sum of the number of Permanent Memberships for such type of Villa set forth in the Declaration of Issued Memberships.

(f) Notwithstanding the foregoing formula for determining each Basic Assessment, the Board may assess Basic Assessments for Permanent Memberships of the similar types of Villas which vary in size, provided that (i) such formula is based on the Board’s good faith effort to equitably apportion the Common Expenses among Permanent Memberships of the similar types of Villas and (ii) the Board makes written findings setting forth the facts and its reasoning with respect to any such reapportionment of the Common Expenses. Any such written findings shall be made available to any Permanent Member at the Association’s actual cost of reproduction.

1.9 “Board” means the board of directors of the Association.

1.10 “Budget” means a proforma operating statement setting forth the Common Expenses for a particular Fiscal Year.

1.11 “Bylaws” means these Bylaws, as the same may be amended or supplemented from time to time in the manner herein provided.

1.12 “Check-In Time” and “Check-Out Time” mean the times designated as such in the then-current Rules and Regulations.

1.13 “Club Maintained Property” means Lots 15 and 16, and so much of the Annexable Property as may be annexed under the plan set forth in these Bylaws, and including all improvements thereto. Upon

annexation of the Annexable Property under the timeshare plan of these Bylaws, the term “Club Maintained Property” shall also include the Annexable Property.

1.14 “Common Area” means all of Lots 15 and 16 and so much of the Annexable Property as may be annexed under these Bylaws, excepting the interiors of the Villas, and includes, without limitation, hallways, bearing walls, columns, floors, roofs, foundation slabs, exterior wall surfaces and central services, pipes, ducts, chutes, conduits, wires and other utility installations wherever located within a Villa. Without limitation, Common Areas shall also include any real property the use and occupancy of which is held by the Association and shall include those areas over which the Association holds an exclusive or non-exclusive easement or right of use or are identified in a Declaration of Annexation as “Common Area.”

1.15 “Common Expenses” means the estimated aggregate amount of expenses, as set forth in the Budget, to be incurred by the Association during the applicable Fiscal Year (a) to operate, manage, maintain, improve and repair the Club Maintained Property, including the interiors of the Villas, and the Common Furnishings therein, and to administer the Association Membership program; (b) to provide for the payment of those expenses payable by the Association which cannot be segregated and equitably allocated exclusively to the Club Maintained Property or the Annexable Property; (c) to provide for the collection of funds on an annual basis over the useful life of improvements to the Club Maintained Property in an amount sufficient to meet the Reserve Expenses; (d) to provide for a contingency fund in the event that some Assessments may not be paid on a current basis; (e) to provide for the payment of the fees of the Managing Agent for services rendered with respect to the operation of the Ocho Cascadas shared ownership program and the Club Maintained Property; (f) any trustee’s fees charged under the Trust Agreements and (g) any fees or charges duly levied against the Association by the by the California State Franchise Board or any other governmental body having jurisdiction and the right to so levy fees. Without limiting the generality of the foregoing, Common Expenses shall include: (1) all charges, costs, and expenses whatsoever incurred by the Association for or in connection with the maintenance, administration and operation of the Club Maintained Property; (2) taxes assessed against the Club Maintained Property and the Common Furnishings therein; (3) assessments and other similar governmental charges levied on or attributable to the Association Membership program; (4) insurance obtained pursuant to these Bylaws; (5) any liability whatsoever for loss or damage arising out of or in connection with the Association Membership program or any fire, accident, or nuisance within the Club Maintained Property; (6) cost of repair, reinstatement, rebuilding and replacement of the Club Maintained Property or the Common Furnishings therein; (7) the cost of all basic utility services, including water, electricity, natural gas, garbage disposal, telephone and any other similar service attributable to the Club Maintained Property; (8) the unpaid share of any Assessment levied during the previous Fiscal Year against any Permanent Membership for which a default in payment thereof has occurred, to the extent that the same becomes uncollectible; (9) the cost of maintenance, insurance and operation of vehicles owned or leased by the Association or for the benefit of Ocho Cascadas; (10) the cost of such off-site housing for employees of the Association or those employees retained by the Managing Agent for the benefit the Association as the Board shall approve; and (11) wages, accounting and legal fees, management fees, maid service, and cleaning fees, and other necessary expenses of upkeep, maintenance, management and operation actually incurred with respect to the Association Membership program. Common Expenses shall not include any expense constituting a Personal Charge.

1.16 “Common Furnishings” means all furniture, furnishings, appliances, automobiles, telephone system and other personal property from time to time owned, leased or held by the Association (a) for use in common by the Owners in accordance with these Bylaws, or (b) for use by the Association in the operation, management, maintenance and repair of the Club Maintained Property.

1.17 “Consent of a Majority of Non-Developer Members” means the vote or written assent of Non-Developer Members entitled to vote or so assent and who collectively own more than fifty percent (50%) of the total voting power vested in such Non-Developer Members.

1.18 “Consent of a Majority of Members” means the vote or written assent of (a) while there is a Class B membership, (i) Class A Members entitled to vote and who collectively own more than fifty percent (50%) of the total voting power vested in such Class A Members and (ii) Developer, for so long as Developer owns a Permanent Membership.

1.19 “Consent of a Super-Majority of Members” means the vote or written assent of (a) prior to the Turnover Date, (i) Non-Developer Members entitled to vote or so assent and who collectively own seventy-five percent (75%) of the total voting power vested in such Non-Developer Members and (ii) Developer, for so long as Developer owns a Permanent Membership.

1.20 “Deannexation Date” means the date of any deannexation pursuant to Article VIII hereof.

1.21 “Declaration of Annexation” means an instrument filed with the Secretary of the Association in the manner and containing the information required pursuant to Section 8.3, below.

1.22 “Declaration of Deannexation” means an instrument filed with the Secretary of the Association in the manner and containing the information required pursuant to Section 8.5, below.

1.23 “Delinquent”, when used to describe a payment, means that such payment is due to the Association hereunder and remains unpaid more than fifteen (15) days after the due date therefor.

1.24 “Designated User” means, when a Permanent Membership is held in the name of a partnership, corporation, trust or other multiple person ownership entity, the one individual or nuclear family designated by such multiple person ownership entity who will be recognized by the Association as the person(s) having the exclusive right to exercise the rights of Permanent Membership.

1.25 “Detained User” means (i) any Owner, Permitted User or Exchange User prevented from using or occupying his Villa or part thereof for all or any portion of his Use Period because of the unauthorized use or occupancy, or uninhabitability of such Villa or any portion of the Common Area caused by a Detaining User, and (ii) the Association if prevented from renting a Villa pursuant to Section 2.5, below, because of the unauthorized use or occupancy or uninhabitability of such Villa caused by a Detaining User.

1.26 “Detaining User” means any Owner, Permitted User or Exchange User who makes unauthorized use or occupancy of a Villa, or through any act or course of conduct affecting Ocho Cascadas or any portion thereof, renders a Villa uninhabitable.

1.27 “Developer” means Compania del Rey, L.P., a California limited partnership, or any successor-in-interest to Developer by express assignment of rights of Developer by an instrument (a) executed by the Developer, and (b) filed with the Secretary of the Association.

1.28 “Developer Memberships” means Permanent Memberships which are owned by Developer, in the sole discretion of Developer. Developer shall have all rights under these Bylaws for each Developer Membership it owns, including, without limitation, the duty to pay Assessments to the Association and the right to vote the voting power of each such Developer Membership. For the purposes of these Bylaws, a Permanent Membership which is assigned and conveyed to a purchaser and subsequently reacquired by the Developer pursuant to enforcement of remedies under any security interest in the Permanent Membership held by the Developer, shall be deemed a Developer Membership. Until the Turnover Date, during any Use Year in which a Fifty-Third Use Period is shown on the Use Period Calendar, Developer shall be deemed to own one Developer Membership attributable to such Fifty-Third Use Period, provided Developer shall not have previously notified the Association of the identity and address of another entity to whom Developer has transferred such Fifty-Third Use Period pursuant to a Membership Purchase and Security Agreement, or to

the Association. On any particular date, the number of Developer Memberships shall be calculated by subtracting (a) the number of Permanent Memberships conveyed Non-Developer Members by Original Membership Assignment as of such date, from (b) the number obtained by multiplying the number of Villas as of any applicable date by forty-eight (48).

1.29 “Exchange and Exclusive Right to Sell Memberships Agreement” means that certain agreement between the Association and the Developer for the construction of Improvements to the Association in exchange for the issuance of all of the Association’s Permanent Memberships to Developer.

1.30 “Exchange Program” means a service provided by Developer, an affiliate of Developer or an independent organization whereby Owners may exchange Use Periods in a Villa for use periods in projects similar to Ocho Cascadas in other locations or whereby Owners may obtain rights to make reservations in another such project in exchange for the right of such Owner to use a Villa, on an as available basis, pursuant to a voluntary program.

1.31 “Exchange User” means an owner of rights in another project who, pursuant to an Exchange Program, occupies a Villa and uses the Common Area.

1.32 “Fair Rental Value” means, for each Villa, the cost of renting comparable accommodations located in the vicinity of Ocho Cascadas.

1.33 “Fiscal Year” means the one (1) year period commencing on the first day of January of each calendar year, which shall be the fiscal year of the Association; provided, however, that the first Fiscal Year shall be the partial year period commencing on the Starting Date and ending on December 31, 2014; provided, further, that the Fiscal Year shall be subject to change by amendment to these Bylaws.

1.34 “General Account” means the separate federally insured account(s) with a bank and/or savings and loan association located within the State of California or Mexico and selected by the Association into which all cash and cash equivalent receipts of the Association shall be deposited.

1.35 “Governing Instruments” means these Bylaws, the Articles, Rules and Regulations and any policies and procedures adopted by the Association, as the foregoing may be amended or supplemented from time to time.

1.36 “Maintenance Periods” means with respect to each Villa, (a) the periods of time between Check-In and Check-Out, and (b) the period(s) of time, outside of those described in clause (a), during which any maintenance or repair thereof or of the Common Furnishings in such Villa which is requested of the Managing Agent by a Villa occupant or is reasonably necessary to be performed on behalf of the Association. As of the date of these Bylaws, Use Weeks 36 through 39, inclusive, shall be Maintenance Periods.

1.37 “Managing Agent” means the agent engaged by the Board pursuant to Section 4.4, below. The first Managing Agent shall be appointed by Developer and may be Developer or an affiliate of Developer.

1.38 “Management Agreement” means an agreement between the Association and the Managing Agent in a form approved by the Board.

1.39 “Non-Developer Member” means a Member other than Developer.

1.40 “Non-Developer Members” means all Members other than Developer.

1.41 “Non-Developer Membership” means a Membership owned by a Member other than Developer.

1.42 “Non-Developer Memberships” means the sum of all Memberships owned by Members other than Developer.

1.43 “Original Membership Assignment” means each certificate evidencing an assignment from Developer which first conveys a Membership to a purchaser in accordance with the terms of each individual Purchase Agreement.

1.44 “Owner” means and includes each assignee under an Original Membership Assignment and (c) Developer with respect to each Developer Membership.

1.45 “Permanent Member” means a member of the Association.

1.46 “Permanent Membership” means a membership in the Association. Each Membership shall be identified by a number designated in the manner set forth in Exhibit “C” attached hereto.

1.47 “Permitted User” means any person (including, without limitation, members of an Owner’s family, his guests, licensees or invitees), other than an Exchange User, who occupies a Villa with the permission of the Permanent Member who has the right to use and occupy a Villa.

1.48 “Personal Charges” means (a) any expense resulting from the act or omission of any Permanent Member or his Permitted User, including, without limitation, (i) the cost of long distance telephone charges or telephone message unit charges and other special services or supplies attributable to the occupancy of such Permanent Member’s Villa during such Permanent Member’s Use Period or the occupancy of a Villa by Permitted User and the expense of additional housekeeping services requested by such Permanent Member during such Permanent Member’s Use Period; (ii) the cost to repair any damage to any portion of Ocho Cascadas or to repair or replace any Common Furnishings on account of loss or damage caused by such Permanent Member or his Permitted User; or (iii) the cost to satisfy any expense to any other Permanent Member(s) or to the Association due to any intentional or negligent act or omission of such Permanent Member or his Permitted User, or resulting from the breach by such Permanent Member or his Permitted User of any provisions of the Governing Instruments, and (b) any transient occupancy tax or other local government charge based on occupancy which is levied pursuant to the laws of the State of Jalisco and payable by any Permanent Member which the Association is or shall be required or entitled to collect on behalf of the levying authority.

In amplification of the foregoing, the act or negligence of a Permitted User shall be deemed to be the act or negligence of the Permanent Member who permits such Permitted User to use and occupy any portion of Ocho Cascadas.

1.49 “Purchase Agreement” means a membership purchase and security agreement by and among Developer and the person or entity named therein as “Buyer” or “Purchaser” providing for the sale by Developer and the purchase by the Buyer or Purchaser of a Permanent Membership.

1.50 “Reconstruction Assessment” means an assessment levied by the Association against each Permanent Membership for the purpose of raising funds to rebuild, restore or replace any portion of the Villas and the Common Furnishings suffering material damage.

1.51 “Reserve Account” means (a) one or more federally insured interest bearing accounts with one or more located in the State of California or in Mexico which is selected by the Board, or (b) one or more Treasury Bills and/or Certificates of Deposit, which account(s), Treasury Bills and/or Certificates of Deposit shall contain funds collected as and for Reserve Expenses.

1.52 “Reserve Expenses” means the specific capital expenditures required to be made at any time and from time to time to provide for the repair, replacement or restoration of any portion of the Villas, the Common Furnishings, the Common Furnishings and for such other purposes as prudent business practice requires.

1.53 “Roster” means a compilation of the names and addresses of each Permanent Member.

1.54 “Rules and Regulations” means the Rules and Regulations relating to the possession, use and enjoyment of Ocho Cascadas.

1.55 “Security Interest Laws” means the provisions of Article IX of the Uniform Commercial Code in effect in domicile of a Permanent Member residing in the United States of America, or in Mexico, or such other laws as may be applicable to any Permanent Member and which govern the enforcement of liens such as that set forth in Section 6.2, below, and as provided in the Purchase Agreement executed by each Permanent Member.

1.56 “Special Assessment” means an assessment levied against each Permanent Membership to provide funds to the Association in the event the Basic Assessment proves inadequate, in an aggregate amount sufficient to provide for such inadequacy.

1.57 “Starting Date” means, for the purposes of Article V of these Bylaws, (a) with respect to Lot 15, the date on which the first Original Membership Assignment specifying a Villa in Lot 15 is filed with the Secretary of the Association; and (b) with respect to Annexed Property, the date on which the first Original Membership Assignment specifying a Villa in the Annexed Property is filed with the Secretary of the Association.

1.58 “Statement of Status” means a written statement setting forth the amount of any delinquent Assessments, Personal Charges or any other amounts unpaid with respect to a Permanent Membership.

1.59 “Subsidy Agreement” means an agreement between the Association and Developer substantially in a form acceptable to the Board and Developer under which Developer pays the deficiencies of the Association in lieu of paying Assessments to the Association.

1.60 “Turnover Date” means the earlier of (a) a date between January 1, 2017, and December 31, 2019, selected by Developer, in its sole discretion, by notice to the Board, or (b) the date upon which Developer has conveyed ninety percent (90%) of the Memberships to Non-Developer Members. Notwithstanding the foregoing, the Turnover Date shall be extended by five (5) years after the date that Developer shall notify the Secretary of the Association of its intent to annex any part of the Annexable Property, and upon annexation, the phrase “ninety percent (90%) of the Permanent Memberships” shall include any Permanent Memberships issued by the Association related to the Annexed Property.

1.61 “Trust Agreements” shall have the meaning ascribed thereto in Recital A above.

1.62 “Use Period” means any period during which a Permanent Member occupies a Villa.

1.63 “Use Week” means the time period(s) commencing on Check-In Time on each Thursday and ending on Check-Out Time seven days thereafter during which each Permanent Member, in accordance with

the provisions of his Membership Purchase and Security Agreement, these Bylaws and the Rules and Regulations, shall be entitled to the use and occupancy of a Villa.

1.64 “Use Week Calendar” means the calendar attached hereto as Exhibit “D” attached hereto and made a part hereof, and maintained by the Association pursuant to Article IV of these Bylaws.

1.65 “Use Year” means each calendar year; provided, however, that in the event a Use Period is shown on the Use Period Calendar to occur in two calendar years, then Use Year shall refer to each such calendar year

1.66 “Villa” means each air space within a dwelling unit in Ocho Cascadas which is identified on a Villa Plan as a “Villa,” including the interior surfaces of the perimeter walls, floors, ceilings, windows and doors bounding such air space but excepting therefrom bearing walls, columns, floors, roofs, foundation slabs, exterior wall surfaces and central services, pipes, ducts, chutes, conduits, wires and other utility installations wherever located within such air.

1.67 “Villa Plan” means the (a) unit plan attached hereto as Exhibit “B” and made a part hereof, which shows the location of each Villa relative to the other Villas within Ocho Cascadas and which identifies each such Villa by number, and (b) each unit plan attached to an instrument filed by Developer after the date of these Bylaws with the Secretary of the Association, which similarly shows the location of each Villa which has then been constructed on Annexable Property.

ARTICLE II.

USE RIGHTS AND RESTRICTIONS

2.1 Use Rights. Subject to all the terms and conditions contained elsewhere in these Bylaws the ownership of a Permanent Membership shall entitle a Permanent Member to the exclusive right during each Use Year for each Permanent Membership owned to use and occupy the Villa indicated during the Use Period shown in such Permanent Member’s Original Membership Assignment and the non-exclusive right to use and enjoy the Common Area and the Common Furnishings in accordance with the requirements and procedures for the making of reservations set forth in the then-current Rules and Regulations. No use or occupancy by any Permanent Member with respect to a Permanent Membership will be permitted if such Permanent Member is delinquent in the payment of any amounts owed to the Association with respect to such Permanent Membership or to Developer pursuant to a Membership Purchase and Security Agreement with respect to such Permanent Membership. No Permanent Member shall occupy any Villa or exercise any other rights of ownership with respect to any such Villa other than the rights provided to him in this Article II. Each Permanent Member shall keep his Villa occupied by him and Common Furnishings therein in good condition and repair during his Use Period(s), vacate the Villa at the expiration of his Use Period(s), remove all persons and property therefrom, excluding only the Common Furnishings, leave the Villa and the Common Furnishings therein in good and sanitary condition and repair and otherwise comply with such check-out and other procedures and regulations as may from time to time be contained in the Rules and Regulations. Any Permanent Member may permit his Villa to be occupied by other persons (not in excess of the number of occupants permitted by the Rules and Regulations) for the purposes permitted by these Bylaws during his Use Period(s), but such Permanent Member shall be responsible for any loss, damage, destruction or violation of these Bylaws, or the Rules and Regulations (except on the part of an Exchange User) which occurs during such occupancy as if such Permanent Member were occupying the Villa.

2.2 Failure to Vacate. A Detaining User shall (i) be subject to immediate removal, eviction or ejection from the Villa or portion of the Common Area wrongfully used or occupied; (ii) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection; (iii) reimburse the Association and the Detained User for all costs and expenses incurred by such

party as a result of such conduct, including, but not limited to, costs of alternate accommodations, travel costs, court costs and reasonable attorneys' fees incurred in connection with removing, evicting or ejecting the Detaining User from such Villa or Common Area, and costs (including reasonable attorneys' fees) incurred in collecting such reimbursement(s); and (iv) pay to the Detained User entitled to use and occupy such Villa during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth in subsection 2.4(a)(iii), above), a sum equal to 200% of the Fair Rental Value per day of the Villa for each day or portion thereof, including the day of surrender, during which the Detaining User prevents use and occupancy of such Villa.

(b) The Board shall be responsible for determining the Fair Rental Value of a Villa.

(c) The Managing Agent shall use reasonable efforts to attempt to remove such Detaining User from the Villa and/or to assist the Detained User in finding alternate accommodations during such holdover period and to secure, at the expense of the Association, alternate accommodations for any Detained User which alternate accommodations shall be as near in value to the Detained User's Villa as possible and the cost thereof shall be assessed to the Detaining User as a Personal Charge.

(d) In the event that the Managing Agent, in its sole discretion, deems it necessary to contract for a period greater than the actual period for which the 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 User as a Personal Charge.

(e) By accepting an Original Membership Assignment, each Permanent Member agrees that, in the event of a wrongful occupancy or use by him or his Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy.

(f) For the purposes of this Section, the act or negligence of a Permitted User shall be deemed to be the act of the Permanent Member; provided, however, that if the Detaining User is an Exchange User, the Permanent Member whose Use Period was used by the Exchange User shall have no liability pursuant to the provisions of this Section.

2.3 Use Restrictions.

(a) The maximum number of occupants of any Villa shall be as provided in the Rules and Regulations.

(b) No Permanent Member shall make or authorize any alterations, additions or improvements to Ocho Cascadas, or any portion thereof, including, but not limited to, the Common Area, the improvements, landscaping, or any personal property thereon, or the Common Furnishings; or paint, repaint, tile, paper or otherwise refinish or redecorate the inner surfaces of the walls, ceilings, floors, windows or doors bounding any Villa or remove, alter or replace any portion of the Common Furnishings without the prior written consent of the Association. The right to perform all of the foregoing acts, with respect to Ocho Cascadas and the Common Furnishings, has been delegated to the Association by these Bylaws. The foregoing prohibitions, however, shall not modify or affect the obligation of each Permanent Member for the prudent care and ordinary maintenance and upkeep of all property subject to his or his Permitted User's use.

(c) Developer and each Permanent Member, by accepting an Original Membership Assignment or any other transfer or assignment of a Permanent Membership, hereby covenants and agrees to abide by the Governing Instruments, including, without limitation, the Rules and Regulations. Use and occupancy of the Villas is limited to private, residential use, and non-residential and/or commercial use of the Villas by any Permanent Member is prohibited except as expressly provided otherwise in this Article II.

2.4 Transfer of Interest; Ownership of Permanent Membership by Multiple Persons.

(a) No Permanent Member shall sell, assign transfer, hypothecate or encumber less than all of his interest in his Permanent Membership.

(b) Notwithstanding the foregoing, only the Designated User will have a right to exercise the rights of Permanent Membership. The Designated User must be the controlling shareholder or owner of the entity, or a beneficiary or settlor if the Permanent Membership is held in the name of a trust, and shall be obligated, on behalf of the entity, to pay all Assessments and Personal Charges. The Designated User may not be changed, notwithstanding any transfer of assets of the entity or ownership interest in the entity, except in the discretion of the Association. The Designated User will enjoy the same benefits, and be subject to the same conditions, as an individual Permanent Member. No person other than the Designated User and his or her immediate family will be entitled to simultaneously use the Permanent Membership.

(c) Any sale, assignment, transfer, hypothecation or encumbrance by any Permanent Member of less than all of his interest in his Permanent Membership, or which would have the effect of separating two appurtenant Permanent Memberships shall be null, void and of no effect. The transfer of any Permanent Membership shall operate to transfer to the new owner of the Permanent Membership the interest of the prior Permanent Member in funds in the hands of the Association even though not expressly mentioned or described in the instrument of transfer and without further instrument or transfer.

2.5 Rights of Developer and the Association to Use Club Maintained Property.

(a) Use of Club Maintained Property for Sales, Resales, Customer Service and Related Purposes. The Developer, for itself, its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves the right to use and occupy the Club Maintained Property for the purposes of: (i) marketing and selling the Permanent Memberships; (ii) maintaining customer relations and providing post-sales service to Permanent Members; (iii) displaying signs and erecting, maintaining and operating, for sales and administrative purposes, model units and a customer relations, customer service and sales office complex in such Club Maintained Property; and (iv) showing the Villas during Service Periods and, upon reasonable notice to a Permanent Member entitled to use and occupy a Villa during any Use Period; provided, however, that use of such easement shall not (A) interfere with or diminish the rights of Permanent Members to use and occupy Villas and the Common Area or (B) interfere with the use and occupancy of the Villas by the Association, as the case may be, as reasonably required to administer the Club Maintained Property and the Ocho Cascadas shared-use program, all as provided in the Governing Instruments.

(b) Association Rights for Maintenance and Project Use. The Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors, and other authorized personnel, shall have the right to use and occupy the Club Maintained Property for the repair and maintenance of the Villas and the Common Furnishings therein during Service Periods; provided, however, that use of such easement shall not unreasonably interfere with or diminish the rights of Permanent Members, Permitted Users, Exchange Users or Developer to occupy the Villas and the Common Area, and to use the Common Furnishings.

(c) Associaton Rights for Exchange Program Purposes. The Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors and other authorized personnel, reserves the right to use and occupy the Club Maintained Property for the purpose of providing accommodations to owners of timeshare interests in other timeshare projects with which the Association may contract, which contract will permit such owners to make reservations, on a space-available basis, in this project and will permit Permanent Members hereunder to make similar reservations in such other projects. In clarification and not in limitation thereof, such right shall not (A) interfere with a Permanent Member's

right of use and occupancy of a Villa and (B) interfere with the Association's use of such Club Maintained Property as necessary to perform its duties and obligations hereunder and pursuant to the Rules and Regulations.

(d) Developer's Right to Make Improvements. Developer (and upon expiration of the Turnover Date, the Association), for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves a right to use and occupy the Club Maintained Property for the renovation, rehabilitation, remodeling, refurbishment and construction of the Villas and the Improvements to the Common Area.

(e) Right to Rent Villas. Developer shall have the exclusive right to use, occupy and rent each Villa during Use Periods attributable to Developer Memberships. The Developer, for itself, its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel shall have the right to use the Common Areas for the purpose of conducting rental activities under this Paragraph 2.5(e), provided, however, that the Developer shall not interfere with the use of the Common Areas by the Association to perform the Association's duties and obligations pursuant to these Bylaws and the Rules and Regulations.

2.6 Protection of Interest.

No Permanent Member shall permit his Permanent Membership to be subject to any lien, claim or charge, the enforcement of which may result in a sale or threatened sale of Ocho Cascadas or a Permanent Membership of any other Permanent Member or any part thereof or in any interference in the use or enjoyment thereof by any other Permanent Member. In the event of a threatened sale of Ocho Cascadas or any part thereof, or should the use and enjoyment of any portion thereof by any Permanent Member be threatened by reason of any lien, claim or charge against the Permanent Membership (the "Member in Violation"), or should proceedings be instituted to effect any such sale or interference, any Permanent Member (the "Curing Member") acting on his own behalf or through the Association or the Association acting on behalf of any one or more Permanent Members (if promptly indemnified to his 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 Permanent Member In Violation shall forthwith pay the amount so paid or expended to the Curing Member or the Association, whosoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as he or it may have incurred. No Permanent Member shall permit his interest in any funds from time to time in possession of the Association to be subjected to any attachment, lien, claim or charge or other legal process, and each Permanent Member shall promptly restore any funds held by the Association with respect to his Permanent Membership to the extent depleted by the reason of the assertion of any such attachment, lien, claim, charge or other legal process and shall reimburse the Association for all reasonable attorneys' fees or other costs incurred in respect thereof.

2.7 Animals.

Except as permitted in the Rules and Regulations, no animals, livestock, birds, fish or poultry of any kind shall be kept in or brought upon Ocho Cascadas, including, without limitation, any Villa Notwithstanding the foregoing prohibition, in the event that a Permanent Member violates the foregoing prohibition, such Permanent Member shall be liable to each and all remaining Permanent Members and the Permitted Users thereof, and to the Association for any and all damage to person or property caused by such violation.

2.8 Offensive Activity. No noxious or offensive activity or conduct shall be carried on within any portion of Ocho Cascadas nor shall anything be done therein or thereon which may or would become an annoyance or nuisance to other Permanent Members or occupants. No Villa shall be used for any trade,

business or other commercial activity or solicitation except as expressly permitted by these Bylaws. Except as expressly permitted by these Bylaws, no Permanent Member shall cause or permit the display of any sign or advertising matter within any Villa or any other portion of Ocho Cascadas.

2.9 Compliance With Laws. No Permanent Member or his Permitted User shall permit anything to be done or kept in his Villa or within any other portion of Ocho Cascadas which violates any law, ordinance, statute, rule or regulation of any local, state or federal government or agency thereof.

2.10 No Increased Insurance. Nothing shall be done or kept within any other portion of Ocho Cascadas which will increase the rate of insurance on Ocho Cascadas without the prior written consent of the Board. No Permanent Member shall permit anything to be done or kept in his Villa, or do or place anything elsewhere in Ocho Cascadas, which would result in the cancellation of insurance for Ocho Cascadas, or any portion thereof.

ARTICLE III. INTERNAL ASSOCIATION AFFAIRS

3.1 Principal Office. The principal office of the Association shall be in Newport Beach, California, or at such other place consistent with California law as may be designated by the Board.

3.2 Membership in the Association. Each Owner, including Developer but excluding persons or entities who hold an interest merely as security for the performance of an obligation, shall automatically, upon becoming an Owner, become a Permanent Member of the Association and shall remain a Permanent Member thereof until he ceases to be an Owner.

3.3 Membership Rights and Duties. Rights and Privileges of Permanent Members. No Permanent Member shall have the right, without the prior approval of the Board, to exercise any of the powers or to perform any of the acts delegated to the Board herein. Each Permanent Member shall have all of the rights and privileges granted to the Permanent Members herein subject to such limitations as may be imposed in accordance therewith.

(b) Suspension of Voting Rights; Imposition of Monetary Penalties. The Board shall also have the right to suspend the voting rights of a Permanent Member and to impose monetary penalties against such Permanent Member as provided in Article VI herein.

3.4 Voting. Number of Votes. The Association shall have three (3) classes of voting membership:

(i) Class A. Class A Members shall be all Permanent Members except Developer (and upon conversion of the Developer's membership from Class B membership to Class A membership, all Permanent Members, including Developer). For each Permanent Membership owned, a Class A Member shall have one (1) Class A vote.

When more than one (1) person is the Owner of a Permanent Membership, all such persons shall be Permanent Members; provided, however, that in no event shall more than the vote specified above be cast with respect to any Permanent Membership except as set forth in clause (ii), below.

(ii) Class B. The Class B Member shall be the Developer who shall be entitled to two (2) votes for each Developer Membership.

For example, if there are nine (9) Villas, then the total number of Permanent Memberships would be [48 Permanent Memberships/Villa x 9 = 432 Permanent Memberships]. If 200 Permanent Memberships have

been conveyed to Non-Developer Members, then the number Developer Memberships would be [432 less 200 = 232 Developer Memberships. Accordingly, the number off Class B votes held by Developer would be [(2 Votes/Developer Membership) x (232 Developer Memberships) = **464 Class B votes.** In this example, Non-Developer Members would hold **200 Class A Votes.**

The purpose of Developer's Class B voting advantage is to allow the Developer to control Association decisions during the start-up period of the Association. However, this voting advantage is intended to be temporary. The Class B membership shall cease and each Class B Membership shall be converted to Class A membership upon the Turnover Date.

(iii) Class C. So long as Developer owns a Permanent Membership, the Class C Member shall be Developer. As the Class C Member, Developer shall have the right, but not the obligation, to appoint a majority of the members of the Board until the Turnover Date.

(b) Joint Owners Disputes. The vote for each Permanent Membership must be cast as a unit and fractional votes shall not be allowed. In the event that the joint Owners of a Permanent Membership are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any Non-Developer Member casts a vote representing a Permanent Membership, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all Owners of the same Permanent Membership. In the event more than the specified vote is cast for a particular Permanent Membership owned by a Non-Developer Member, none of said votes shall be counted and said votes shall be deemed void.

3.5 Meetings of Permanent Members; Place of Meeting.

(a) The Board shall set the place of any meeting, which shall be at a location in the United States. The place of any specific meeting shall be set forth in the notice to Permanent Members of such meeting.

(b) Annual Meetings of Permanent Members. In any Fiscal Year, the annual meeting of Permanent Members shall be held in May or upon any date during such Fiscal Year on which the Board determines that an optimum amount of the Association's financial information for such Fiscal Year will be available for discussion with the Permanent Members. At each annual meeting there shall be elected by secret written ballot of the Permanent Members certain members of the Board of Directors in accordance with the requirements of these Bylaws. The Permanent Members may also transact such other business of the Association as may properly come before them at such organization or annual meeting.

Written notice of each annual meeting shall be given to each Permanent Member by the Secretary in the manner hereinafter provided. All such notices of any organization or annual meeting shall be sent to each Permanent Member not less than 30 days and not more than 90 days before such meeting, and shall specify the place, the day and the hour of such meeting and shall generally state those matters which the Board, at the time of mailing of the notice intends to present for action by the Permanent Members (but any proper matter may be presented for action at such meeting). The notice of any meeting at which directors are to be elected shall include the names, addresses and brief biographical sketches of those who are nominees at the time the notice is sent to Permanent Members.

(c) Special Meetings. Special meetings of Permanent Members, for any purpose or purposes whatsoever, may be called at any time by a majority of the Board or by Permanent Members representing twenty percent or more of the total voting power of all Permanent Members. Except in special cases where other express provision is made by statute or these Bylaws, notice of such special meetings shall be given in the same manner as for annual meetings and may be given by any person or persons entitled to call such

meeting. Notices of any special meetings shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted (and no other business may be transacted).

If a special meeting is called by Permanent Members, the request shall be submitted by such Permanent Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice-President or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Permanent Members entitled to vote, that a meeting will be held, and the date for such meeting, which date shall be not less than 30 nor more than 90 days following the receipt of the request. If the notice is not given by the officer of the Association receiving such request within 20 days after receipt of the request, the persons requesting the meeting may give the notice.

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

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board by the Permanent Members;
- (iii) Amending the Articles;
- (iv) Approving a contract or transaction in which a director has a material financial interest;
- (v) Approving a plan of distribution of assets, other than cash, in liquidation when the Association has more than one class of memberships outstanding.

(e) Manner of Giving Notice. Notice of any meeting of the Permanent Members shall be given as provided in Section 10.3 hereof. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Permanent Member by first-class mail or telegraphic or other written communication to the Association's principal executive office, or (ii) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication. An affidavit of the mailing or other means of giving any notice of any Permanent Members' meeting may be executed by the Secretary, Assistant Secretary, or any other party of the Association giving the notice, and if so executed, shall be filed and maintained in the minute book of the Association.

(f) Adjourned Meetings and Notices Thereof. Any meeting, organization, annual or special, whether or not a quorum is present, may be adjourned from time to time by the affirmative vote of a majority of the votes entitled to be cast and represented at such meeting in person or by proxy, but in the absence of a quorum, no other business may be transacted at any such meeting unless otherwise provided herein.

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

(g) Quorum Definitions. For purposes of this subsection, the term “Net Total Votes” means that number of votes which is equal to the difference between the total number of votes in the Association and the number of votes as to which voting rights are suspended at the time of the subject meeting in accordance with the provisions herein.

(i) Quorum. The presence either in person or by proxy at a Permanent Members’ meeting of Permanent Members representing and entitled to cast at least 35 percent of the Net Total Votes shall constitute a quorum for any action by the Permanent Members, unless a different requirement is imposed herein or by the Articles. A majority of the Net Total Votes present at a meeting at which a quorum is present shall prevail at such meetings, unless a different percentage is required herein or by the Articles. Subject to the provisions of subsection 3.5(d) and unless otherwise expressly authorized, all action required or permitted to be taken by the Permanent Members may be taken only at a duly called and properly noticed organization, annual or special meeting at which a quorum is present. The Permanent 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 Permanent Members so that less than a quorum is present if any action taken (other than adjournment) is approved by at least a majority of the Permanent Members required to constitute a quorum. If any meeting cannot be held because a quorum is not present, a majority of the Permanent Members present either in person or by proxy and entitled to vote, may adjourn the meeting to a time not less than 5 days nor more than 30 days from the time the original meeting was called. A quorum must be present either in person or by proxy and entitled to vote at any adjourned meeting.

(h) Consent of Absentees. The transactions of any meeting of Permanent Members, either organization, annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Permanent Members entitled to vote and not present in person or by proxy, signs a written waiver of notice, or a consent of the holding of such meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of Permanent Members, except that if action is taken or proposed to be taken for approval of any of the matters specified in 3.5(d), the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(i) Waiver by Attendance. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting, if that objection is expressly made at the meeting.

(j) Action without Meeting. Any action, other than the election of directors, which under the provisions of the California Non-Profit Mutual Benefit Corporations Law may be taken at a meeting of the Permanent Members, may be taken without a meeting and without prior notice if (A) the written ballot is distributed to every Permanent Member entitled to vote and providing an opportunity to specify approval or disapproval of each order of business proposed to be acted upon by the Association, (B) the required number of signed approvals in writing, setting forth the action so taken, is received, (C) the number of ballots cast within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and (D) the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of ballots cast.

Ballots shall be solicited in a manner consistent with the requirements of the California Corporations Law. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and with respect to ballots other than for the election of directors, shall state the percentage of

approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted and that a ballot received within the specified time will be cast in accordance with the choice(s) specified by the Permanent Member casting the ballot.

Subject to the applicable provisions of the California Corporations Law, any Permanent Member casting a ballot, or the proxyholders of a Permanent Member or a transferee of a Permanent Membership or a personal representative of the Permanent Member or their respective proxyholders, may revoke the ballot, or substitute another, by a writing received by the Association prior to the time specified in the solicitation pursuant to the preceding paragraph, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary of the Association.

(k) Record Date. The Board may fix a date in the future as a record date for the determination of the Permanent Members entitled to notice of and to vote at any meeting of Permanent Members. The record date so fixed shall not be more than 60 days prior to any other action. When a record date is so fixed, only Permanent Members then shown on the Roster of Members shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of or issuance of Permanent Memberships on the books of the Association after the record date.

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

(l) Proxies. Every Permanent Member entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Association prior to the commencement of the meeting at which the proxy is to be exercised. A form of proxy distributed to each Permanent Member by the Association to afford him or her the opportunity to vote in absentia at a meeting of Permanent Members must (i) afford an opportunity for the Permanent Member to specify a choice between approval and disapproval of each order of business proposed to be acted upon by the Association at such meeting, (ii) provide that the vote of the Permanent Member shall be cast in accordance with the choice specified, and (iii) include the name or names of Permanent Members who expect to be in attendance in person at the meeting to whom the proxy is to be given for the purpose of casting the vote to reflect the absent Permanent Member's vote as specified in the form of proxy. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (A) revoked by the Permanent Member executing it, before the vote cast pursuant to that proxy, by a writing delivered to the Association stating that the proxy is revoked by a subsequent proxy executed by such Permanent Member, or by personal attendance and voting at a meeting by such Permanent Member, or (B) if written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of 11 months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of the California Non-Profit Mutual Benefit Corporations Law. In any election of directors, any form of proxy that is marked by a Permanent Member "withhold," or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be

voted either for or against the election of a director. Failure to comply with this paragraph shall not invalidate any corporation election taken, but may be the basis for challenging the proxy at a meeting.

(m) Inspectors of Election. In advance of any meeting of Permanent Members, the Board may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election be not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any such meeting may, and on the request of any Permanent Member or Permanent Member's proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more Permanent Members or proxies, the majority of Permanent Members represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

The duties of such inspectors shall include: determining the number of Permanent Memberships outstanding and the voting power of each; determining the Permanent Memberships represented at the meeting; determining the existence of a quorum; determining the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all Permanent Members. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

3.6 Directors: Number, Qualifications, Term of Office. Prior to the Turnover Date, the affairs of the Association shall be managed by a Board of five (5) directors, three of which shall be appointed by Developer as the Class C Member. Prior to the Turnover Date, any vacancy in one of the three (3) memberships on the Board filled by a Developer-appointed Director shall be filled by the Developer and shall serve out the term of the vacant directorship so filled, and any vacancy in one of the memberships on the Board so filled by a Permanent Member other than Developer shall be appointed by a majority of the remainder of the Directors other than the Developer-appointed directors and shall serve out the term of the vacant directorship so filled. Upon the Turnover Date, all five (5) directors shall resign. The resignation of the three (3) directors appointed by Developer shall be effective immediately, and the vacancies created by these resignations shall not be filled pending the next annual Permanent Members meeting following the Turnover Date. The resignation of the remaining directors shall be effective upon the next annual meeting of the Permanent Membership following the Turnover Date. At the Permanent Members meeting following the Turnover Date, all five (5) directors shall be elected by the vote of the Permanent Members (including the vote of Developer with respect to Permanent Memberships then owned by Developer). At such Permanent Membership meeting, three (3) of the directors shall be elected for a three year term, and two (2) shall be elected for a two year term.

Except as provided above, any vacancy in one of directorships elected by the Permanent Members shall be filled by the remaining directors and the appointed director shall serve until the next annual Permanent Membership meeting, at which a Permanent Member shall be elected to serve out the term of the director who has resigned or has been replaced.

The election of the Directors shall be subject to the following election procedures:

(i) Any Permanent Member entitled to vote at the meeting pursuant to the provisions of these Bylaws shall be eligible as a candidate for the position of director. Nominations shall be made as set forth in subsection 3.5(b).

(ii) The procedure for election of Directors shall be as follows: The Secretary of the meeting shall call for nominations, if any, from the floor. Any Permanent Members so nominated to stand for election shall have his or her name added to the written ballots to be used in the conduct of the

election. Following the closing of nominations, the election of the directors shall be conducted by secret ballot.

The vote of all Permanent Members, shall then be counted and the Permanent Members-appointed Directors shall be filled by those nominees receiving the greatest number of votes from the Permanent Members.

(b) Nomination of Candidates. Any Permanent Member may nominate himself or herself, or another Permanent Member, as a candidate for the position of Director at any time commencing sixty (60) days and ending fifteen (15) days preceding the last day upon which notice of such election must be distributed to the Permanent Members. At the meeting to elect Directors, any Permanent Member present at the meeting, in person or by proxy, may place names in nomination.

(c) Removal and Vacancies. The Directors or any one of them may be removed from office, with or without cause, at any duly called, noticed and held annual or special meeting of the Permanent Members, at which a quorum is present, by a majority of the total votes present at such meeting either in person or by proxy, and entitled to vote. Removal of any Director by the Permanent Members shall be invalid unless the notice of the meeting shall state that such action is to be voted upon at the meeting. A vacancy in one or any of the Directorships elected by the Permanent Members created by the removal of a Director shall be filled by the remaining Directors at a meeting of the Board. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any Director, or in case the Permanent Members fail at any time to elect the full number of authorized Directors. If the Board accepts the resignation of a director tendered to take effect at a future time, the Directors shall have the power to elect a successor to take office when the resignation shall become effective.

In the event that any Director shall be absent from four consecutive regular meetings of the Board, the remaining Directors may, by action taken at the meeting during which said fourth absence occurs, declare the office of said absent director to be vacant.

(d) Place of Meeting. All meetings of the Board shall be held at a place designated at any time by resolution of the Board or by written consent of a majority of the members of the Board.

(e) Regular Meetings. Regular meetings of the Board shall be held at a time and at such place as may be designated by the Board from time to time. Notice of the time and place of such meeting shall be communicated to each director not less than 30 days prior to the meeting. Regular meetings of the Board shall be held annually.

(f) Special Meetings. Special meetings of the Board for any purpose or purposes may be called by written notice at any time by the President, or if he is absent or unable or refuses to act, by any Vice President or by any two directors.

Notice of the time and place of special meetings and of the nature of any special business to be considered shall be given to each director by written notice given by first-class mail at least 7 days prior to the scheduled time of such meeting.

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

(g) Meetings by Telephone. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, and any member of the Board may participate by conference telephone or similar communications equipment in a meeting at which other members of the Board are

physically present, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

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

(i) Action Without Meeting. Any action required or permitted to be taken by the Board by law, according to the Articles or according to the provisions herein may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and shall have the same force and effect as a unanimous vote of such directors.

(j) Quorum. A majority of the Board shall constitute a quorum thereof. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present, in person or by telephone, shall be regarded as the act of the Board, unless the provisions herein or in the Articles [especially those provisions relating to (A) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (B) appointment of committees, and (C) indemnification of directors] shall require or permit the particular action involved to be taken by the Board under other circumstances.

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

(l) Open Meetings.

(i) Regular and special meetings of the Board shall be open to all Permanent Members of the Association provided, however, that Permanent Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

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

(m) Compensation. No director shall receive any salary or other compensation for services rendered as a director or officer of the Association. However, directors and officers shall be reimbursed for expenses incurred in connection with the business of the Association and authorized by the Board. Nothing herein shall preclude any director from serving the Association in any capacity other than as an officer or a director and receiving compensation therefor as authorized and approved by the Board. Any director receiving any special compensation for services in such other capacity shall be excluded from deliberations and voting by the Board relative to the authorization thereof and fixing compensation with regard thereto.

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

- (i) adopt, amend or repeal the Articles of Incorporation or these Bylaws;
- (ii) fill vacancies on the Board or in any committee;
- (iii) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;
- (iv) appoint any other committees of the Board or the members of these committees;
- (v) approve any transaction (A) to which the Association is a party and one or more directors have a material financial interest or (B) between the Association and one or more of its directors or (C) between the Association and any entity in which one or more of its directors have a material financial interest.

(o) Powers and Duties. Subject to the limitations of the Articles and the provisions herein and the California Non-Profit Mutual Benefit Corporations Law as to action required to be taken, authorized or approved by the Permanent Members of the Association, or a portion or percentage thereof, all the Association powers and duties including those set forth in these Bylaws shall be exercised by, or under the authority of the Board, and the business and affairs of the Association shall be controlled by the Board.

(p) Minutes of Meetings. A copy of the written minutes of any meeting of the Board, except for executive meetings of the Board, shall be provided to all Permanent Members who request a copy within 60 days after the adjournment of such meeting.

3.7 Officers. Enumeration of Officers. The officers of the Association shall be a President, Vice President, a Secretary, a Chief Financial Officer and such other officers as the Board may deem necessary. Any person may hold more than one office, provided that the Secretary may not concurrently as the President. The President, Vice President and Secretary shall be members of the Board. The Chief Financial Officer may be, but need not be a member of the Board. Each officer must be a Permanent Member of the Association or a representative of Developer designated by Developer.

(b) Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers that the business of the Association may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in this Article III or determined from time to time by the Board.

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

(d) Term. All officers shall hold office at the pleasure of the Board.

(e) Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

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

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

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

The Secretary shall give, or cause to be given, notice of all the meetings of the Permanent Members and of the Board required by this Article III or by law to be given, except that notice of the organization meeting may be given by the Developer, and he shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

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

(i) Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept or maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or this Article III. The Board may delegate the performance of the foregoing duties, subject to supervision by the Chief Financial Officer, to a professional manager retained by the Association.

3.8 Indemnification of Directors, Officers, Employees, and other AgentsDefinitions. For the purpose of this Article,

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

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

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

(b) Successful Defense By Agent. To the extent that an agent of the Association has been successful on the merits in the defense of any proceeding referred to in this Article, or in the defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an agent either settles any such claim or sustains a judgment rendered against him, then the provisions of subsection 3.8(c) shall determine whether the agent is entitled to indemnification.

(c) Action Brought By or On Behalf of Association.

(i) Claims settled out of court. If any agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of the Association, with or without approval, the agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other disposition or for any expenses incurred in defending against the proceeding.

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

(1) The determination of good faith conduct required by Section 3.8(d) of this Article below must be made in the manner provided for in that section; and

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

(d) Determination of Agent’s Good Faith Conduct. The indemnification granted to an agent in Section 3.8(c) above is conditioned on the following:

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

(ii) Manner of determination of good faith conduct. The determination that the agent did act in a manner complying with Section 3.8(d)(i), above, shall be made by:

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

(2) the affirmative vote or written ballot of a majority of the votes of the Permanent Members represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum), with the persons to be indemnified not being entitled to vote thereon; or

(3) the court in which the proceeding is or was pending. Such determination may be made on application brought by the Association or the agent or the attorney or other person rendering a defense to the agent, whether or not the application by the agent, attorney or other person is opposed by the Association.

(e) Limitations. No indemnification or advance shall be made under this Article, except as provided in Sections 3.8(b) or 3.8(d)(ii)(C), in any circumstances when it appears:

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

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

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

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

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

3.9 Miscellaneous Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board.

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

(c) Inspection of Bylaws. The Association shall keep within Ocho Cascadas 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 Permanent Members at all reasonable times during office hours.

(d) Fiscal Year. The fiscal year of the Association shall terminate on December 31, of each year, or such other day as the Board may elect.

(e) Maintenance and Inspection of Other Corporate Records. The accounting books, records and minutes of proceedings of the Permanent Members and the Board and any committee(s) of the Board shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal executive office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The minutes and accounting books and records shall be open to inspection on the written demand of any Permanent Member, at any reasonable time during usual business hours, for a purpose reasonably related to the Permanent Member's interests as a Permanent Member.

The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts.

The Board shall establish reasonable rules with respect to:

(i) Notice to be given to the custodian of records by the Permanent Member desiring to make the inspection.

(ii) Hours and days of the week when such an inspection may be made.

(iii) Payment of the cost of reproducing copies of documents requested by a Permanent Member.

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

(f) Annual Report to Permanent Members. Nothing in these Bylaws shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the Permanent Members as they consider appropriate. However, the Association shall provide to the directors and to the Permanent Members the financial reports referred to in these Bylaws.

3.10 Dissolution. The Board and each Permanent Member shall take all steps reasonably necessary to dissolve the Association upon termination of these Bylaws in accordance with Paragraph 10.2, below. Upon the winding up and dissolution of the Association, after paying or adequately providing for the debts and obligations of the Association, the remaining assets may be distributed to the Permanent Members of the Association as provided in Paragraph 10.2, below.

ARTICLE IV. MANAGEMENT

4.1 Powers and Duties Generally. The operation, administration, maintenance and repair of Ocho Cascadas and Common Furnishings, and any alterations or additions thereto, shall be vested in the Association. The Association, acting alone (through the Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Governing Instruments, exercise any and all rights and powers herein enumerated and, except as specifically limited herein, all the rights and powers of a nonprofit mutual benefit corporation under the laws of the State of California.

4.2 Specific Powers and Duties of the Association. The Association shall have the power and the duty to maintain and repair the Villas and the Common Area, to administer the affairs of the Permanent Members and the operation of the Association as provided herein, to acquire (by lease or purchase), maintain, repair and replace the Common Furnishings, to levy, collect, and enforce the Assessments and Personal Charges enumerated in these Bylaws, and to pay, as agent, the expenses and costs enumerated in these Bylaws. The Association shall have the exclusive possession of each Villa during the Maintenance Periods for the performance of maintenance and repairs on such Villa. The Association shall have the power to do all things that are required to be done by it pursuant to these Bylaws. The following powers and duties are in amplification and not limitation of the foregoing powers and duties:

(a) Exchange of Permanent Memberships for Improvements. To exchange, during the term of the Exchange and Exclusive Right to Sell Memberships Agreement, or any extensions thereof, or any other agreement between the Developer and the Association pertaining to the exchange of additional dwelling units or other Improvements to the Annexable Property for Memberships in the Association pursuant to the terms and conditions of the Exchange and Exclusive Right to Sell Memberships Agreement or other agreement, provided however, that no term or condition of the Exchange and Exclusive Right to Sell Memberships Agreement or other agreement shall be inconsistent with these Bylaws.

(b) Bank Accounts. The Association shall have the power and duty to deposit all funds collected from Permanent Members by the Association in connection with its rights and duties hereunder as follows:

(i) All funds shall be deposited in the General Account. Funds deposited in the General Account(s) may be used by the Association only for the purposes for which such funds have been collected.

(ii) Within ten (10) days after deposit in the General Account, all amounts collected for Reserve Expenses shall be deposited in the Reserve Account. The Association shall keep accurate books and records reflecting the amount in the Reserve Account attributable to each Permanent Member. Funds deposited in the Reserve Account shall be held in trust and, except in an emergency, may be used by the Association only for the specific purposes for which such funds have been collected. Funds held in the Reserve Account and used in an emergency shall be replaced in the Reserve Account as soon as practicable after the date upon which emergency arose but in no event later than the end of the Fiscal Year immediately following the Fiscal Year in which such emergency occurred. Interest, if any, earned on funds deposited in the Reserve Account shall be accumulated therein and shall be used only for payment of Reserve Expenses and any taxes incurred by the Association as a result of the earning of such interest.

(c) Cleaning and Housekeeping Service. To provide for cleaning and maid service for the Villas, (i) on a basis during each Use Period to be determined by the Board and (ii) during the Maintenance Period so that the Villas within Club Maintained Property are maintained in good order and repair.

(d) Collection of Damages and Housekeeping Fees from Exchange Users. The Association shall have the power and duty to use reasonable efforts to collect from each Exchange User who requests housekeeping fees, or who causes loss, damage or destruction to Ocho Cascadas or the Common Furnishings (other than by ordinary wear and tear) the housekeeping fees charged by the Managing Agent, and/or the cost of the repair, restoration or replacement of the Villa or the Common Area (to the extent such loss, damage or destruction is not covered by insurance proceeds paid to the Association), and to use reasonable efforts to collect from any Exchange User who is a Detaining User the amount for which such Exchange User would be liable under Section 2.4 if he were an Owner.

(e) Compensating Use. The Association shall have the power and duty to compensate each Permanent Member who, through an error on the part of the Association or Managing Agent, is prevented from occupying his Villa during his Use Period, by either (i) paying to such Owner a sum equal to 100% of the Fair Rental Value of his Villa during his Use Period, or (ii) procuring alternate accommodations reasonably acceptable to such Owner for his Use Period. Whether such Owner is compensated through the method provided in subsection (i) or (ii) shall be at the Association's discretion.

(f) Cooperation with Developer as Owner of Annexable Property. Without limiting the generality of any of the powers set forth in this Paragraph 4.2, to cooperate and contract with the Developer with respect to (i) determining expenses attributable to Lot 13 which cannot be segregated and exclusively allocated to the Club Maintained Property or the Annexable Property; (ii) determining the proper allocation of such expenses between the Club Maintained Property and the Annexable Property and (iii) determining other issues and the solutions thereto arising from the common ownership by the Association and the Developer of the right to use Ocho Cascadas.

(g) Declaration of Issued Memberships. To maintain a current Declaration of Issued Memberships and periodically to conform such Declaration of Issued Memberships to the Roster of Members.

(h) Delegation. The Association shall have the power to delegate the authority and responsibilities of the Association hereunder to one or more agents, including, without limitation, the Managing Agent as provided for in Section 4.3 below.

(i) Exchange Program. Except as otherwise limited by these Bylaws, the Association shall have the power to enter into agreements with the Managing Agent or other organizations to provide for participation by the Permanent Members in one or more Exchange Programs.

(j) Financial Statements. The Association shall have the power and duty to cause to be regularly prepared financial statements for the Association and copies thereof to be distributed to all Permanent Members as follows:

(i) A Budget shall be distributed to Permanent Members along with the annual maintenance billing not later than September 1 of the Fiscal Year prior to each immediately subsequent Fiscal Year, except the first Fiscal Year with respect to which the Budget shall be distributed as soon as reasonably possible. The Budget shall contain at least the following information:

(A) Estimated revenue and expenses on an accrual basis;

(B) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Villas and Common Furnishings and for contingencies;

(C) An itemized estimate of the remaining life of the Villas and Common Furnishings and the methods of funding to defray Reserve Expenses; and

(D) A general statement setting forth the procedures used by the Board in the calculation and establishment of Reserve Expenses.

(ii) An Annual Report shall be distributed within 120 days after the end of each Fiscal Year. The Annual Report shall be prepared by a licensee of the California Society of Certified Public Accountants in any Fiscal Year in which the gross income to the Association exceeds \$75,000.00. If the Annual Report is not prepared by such a licensee, the Annual Report shall be prepared by the Managing Agent or by an officer of the Association and shall be accompanied by the certificate of the person preparing

the Annual Report that the Annual Report was prepared without audit from the books and records of the Association. In lieu of the distribution of the Budget and the Annual Report, the Board may elect to distribute a summary of the Budget and the Annual Report to each Permanent Member with a written notice, in 10-point bold print type on the front page of the summary, that the Budget and the Annual Report are available at the business office of the Association and that copies will be provided upon an Permanent Member's request at the expense of the Association. Any such summary requested shall be mailed to the requesting Permanent Member by First Class United States Mail at the expense of the Association.

(k) Inspection of Books and Records.

(i) The Association shall have the power and duty to open, at any reasonable time during usual business hours, the books and records of the Association for inspection by any Permanent Member upon the written demand by such Permanent Member; provided, however, that the Association shall be obligated to open its books and records for inspection by a Permanent Member only if the Permanent Member requests such inspection for a purpose reasonably related to the Permanent Member's interests as a Permanent Member. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts.

(ii) The Board shall have the power and duty to establish reasonable rules with respect to (A) notice to be given to the custodian of records by the person desiring to make the inspection; (B) hours and days of the week when such an inspection may be made; and (C) payment of the cost of reproducing copies of documents requested by a Permanent Member.

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

(l) Insurance. The Association shall have the power and duty to obtain and pay the cost of:

(i) On and after the Starting Date, insurance against loss or damage to Ocho Cascadas and Common Furnishings, including, without limitation, machinery used in the service of Ocho Cascadas, by fire and other risks and hazards customarily covered by an insurance policy written on an all risk basis, including, to the extent available at a reasonable cost, earthquakes and environmental risks. The stipulated amount of such insurance shall be based on the full replacement cost thereof at the time and place of loss, and the Association shall either (A) annually update such stipulated full replacement cost amount to reflect the then-current estimated full replacement cost thereof, or (B) procure and maintain an endorsement which provides for full reimbursement for the actual cost of repair or replacement thereof, without deduction for depreciation.

(ii) On and after the Starting Date, insurance against hazards such as burglary and theft covering the Common Furnishings and to the extent available at a reasonable cost, the personal property on Ocho Cascadas owned by any Permanent Member, Permitted User or Exchange User or in the possession of the Association, its agents or employees.

(iii) To the extent available at a reasonable cost, insurance against loss in the operation of Ocho Cascadas of earnings, continuing charges and expenses, and such other risks and hazards customarily covered by business interruption insurance policies. Such business interruption insurance shall be combined with insurance against loss due to extra expenses arising out of operating Ocho Cascadas and the cost of temporary quarters for Permanent Members, Permitted Users and Exchange Users due to damage to, or uninhabitability of, Ocho Cascadas or Common Furnishings and such other risks and hazards customarily covered by such extra expense insurance policies.

(iv) Insurance against loss or liability due to injury to, or destruction of personal property belonging to Permanent Members, Owners, Permitted Users and Exchange Users while located in Ocho Cascadas, including without limitation loss due to claims for bodily injury, death and property damage with a combined single limit liability with regard thereto of not less than \$1,000,000.00 per occurrence. The Association shall also procure and maintain one or more umbrella liability insurance policies against loss or damage due to claims for personal injury, death and property damage with a limit with regard thereto of not less than \$5,000,000.00 per occurrence.

(v) To the extent available at a reasonable cost, directors' and officers' liability insurance, Workers' Compensation Insurance and any other insurance deemed necessary or desirable by the Association. Such other policies of insurance shall cover such risks, be written by such insurers, and be in such amounts as the Association shall deem necessary and proper under the circumstances. The Association shall cause to be covered by a fidelity bond or insurance providing for a blanket crime endorsement, any employee or agent of the Managing Agent or the Association who may have charge of funds of any Permanent Member, Permitted User, Exchange User or of the Association. The loss coverage under any such bond or policy shall not be less than the maximum amount of funds of the Association over which the principals under the bond or policy may reasonably be expected to have control or access at any time.

All insurance policies obtained by the Association hereunder shall name all Permanent Members (as a class) and Developer (individually) as additional insureds. Liability insurance shall contain appropriate waivers of subrogation against any member of such Permanent Member's household, and a provision that no act or omission by a Permanent Member, unless acting within the scope of his authority on behalf of the Association, will void the policy or operate as a condition to recovery by any other person under such policy.

(m) Legal and Accounting. The Association shall have the power to obtain and pay the cost of legal and accounting services necessary or proper in the operation, maintenance and repair of Ocho Cascadas and Common Furnishings and the enforcement of the Governing Instruments.

(n) Issuance of Permanent Memberships to Developer; Acceptance of Permanent Memberships from Developer. To issue Permanent Memberships to the Developer pursuant to the terms and conditions of the Exchange and Exclusive Right to Sell Memberships Agreement, or any other similar agreement, the number of which shall not exceed the product of (i) 48 Permanent Memberships/Villa and (ii) the number of Villas which have been completed; and, in the event Developer elects to convey and assign all or certain Developer Memberships to the Association, to accept any such Permanent Membership tendered by the Developer. Upon the Turnover Date, Developer shall assign to the Association all Permanent Memberships it then owns, and the Association shall accept all such Permanent Memberships tendered by Developer, and thereafter, Developer shall have no obligation to the Association or rights with respect to any such Permanent Memberships conveyed. No Permanent Membership conveyed by Developer to the Association shall be, as of the date of any such conveyance, a Developer Membership for any purpose hereunder.

(o) Levy and Collection of Assessments. The Association shall have the power, and shall have the duty to take such action as the Board deems reasonable, (i) to establish the frequency of collection of Assessments by the Association, (ii) to levy, collect and enforce Assessments against the Permanent Members in the manner provided in Articles VI and VII hereof in order to pay the expenses of operating, maintaining and repairing Ocho Cascadas and Common Furnishings (including the fee of the Managing Agent), and (iii) to do all things necessary to enforce each Permanent Member's obligations hereunder. The Association shall also have the power to charge Permanent Members who elect to participate in an Exchange Program such fees as the Board deems necessary and proper to cover any actual costs or expenses attributable to the operation of an Exchange Program at Ocho Cascadas in order to ensure that Permanent

Members who do not participate in the Exchange Program are not burdened by any of the costs or expenses related thereto.

(p) Rules and Regulations. The Association shall have the power and duty, to adopt, publish and enforce (to the extent deemed necessary and proper by the Board), from time to time, Rules and Regulations relating to the possession, use and enjoyment of Ocho Cascadas which Rules and Regulations shall be consistent with the provisions of the Governing Instruments.

(q) Maintenance and Repair. The Association shall have the power, and to the extent deemed necessary or proper by the Board for the management, maintenance and operation and repair of the Villas and Common Furnishings, the duty, to do the following: (i) repair, maintain, repaint, furnish or refurnish the Villas and Common Areas; (ii) repair, maintain or replace the Common Furnishings; (iii) establish reserves for anticipated costs, including the costs of acquisition and replacement of Common Furnishings; and (iv) acquire and pay for materials, supplies, furniture, furnishings, labor or services.

(r) Minutes, Agenda and Policies. The Association shall have the power and duty to provide each Permanent Member with (1) a copy of the minutes of Board meetings within sixty (60) days following the date of such meeting, (2) a list of the orders of business to be considered at the annual meeting of Permanent Members not later than thirty (30) days prior to the date for such meeting, which list shall contain the name, address and a brief biographical sketch (if available) of each Permanent Member nominated to stand for election to the Board, and (3) within sixty (60) days prior to the beginning of each Fiscal Year, a statement of the Association's policies and practices relative to the enforcement of its remedies against Permanent Members for defaults in the payment of any amounts due to the Association, including, without limitation, the recording and foreclosing of liens against Permanent Memberships.

(s) Other Necessary Acts. The Association shall have the power to do all other things or acts deemed by the Association to be necessary, desirable or appropriate for the operation, administration, maintenance, repair and replacement of Ocho Cascadas and the Common Furnishings.

(t) Right of Entry. The Association shall have the right, during Maintenance Periods and upon giving reasonable notice if a Villa is occupied, to enter such Villa for the purpose of cleaning, painting, maintenance and repair. The Association and its successors and assigns further shall have the right at any reasonably necessary time, whether or not in the presence of an Owner, to enter upon any Villa within Ocho Cascadas for the purpose of (1) making emergency repairs therein, (2) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Villa, (3) protecting property rights and welfare of any Owner, Permitted User or Exchange User, or (4) for any other purpose reasonably related to the performance by the Association of its duties and obligations under the terms of these Bylaws. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the rightful occupant of such Villa and shall be preceded by reasonable notice to such occupant whenever the circumstances permit. Any action taken by the Association pursuant to the foregoing provisions of this subsection must be reasonably related to the performance by the Association of its responsibilities under the terms of these Bylaws.

(u) Roster. To compile the Roster of Members and periodically to conform the Roster of Members to the Declaration of Issued Memberships. To the greatest extent possible under applicable law, the Roster shall be strictly used for Association purposes and shall not be subject to inspection or use by any Permanent Member unless the Permanent Member demonstrates to the satisfaction of the Board that the Roster will not be used for commercial purposes.

(v) Statements of Status; Governing Instruments.

(i) The Association shall have the power and duty to issue a Statement of Status within ten (10) days of the mailing or delivery of a request therefor by any Permanent Member, purchaser or other prospective transferee of a Permanent Membership. Such Statement of Status shall be binding upon the Association in favor of any person who may rely thereon in good faith.

(ii) The Association shall have the power and duty to provide a copy of the Declaration, Articles and Bylaws within ten (10) days of the mailing or delivery of a request therefor by any Permanent Member.

(iii) The Association shall have the power to charge a fee for providing the Statement of Status or the requested documents, which fee shall not exceed the reasonable cost of preparation and/or reproduction thereof.

(w) Taxes and Assessments. The Association shall have the power and duty to pay all taxes and assessments and other costs affecting or relating to Ocho Cascadas and the Common Furnishings not otherwise directly assessed against each Permanent Member and shall have the power to discharge, contest or protest liens or charges affecting Ocho Cascadas.

(x) Utilities. The Association shall have the power and duty to obtain and pay the costs of water, electrical, telephone, cable television, gas, refuse pick-up, garbage disposal and other utility services for Ocho Cascadas.

(y) Cooperation with Developer. The Association shall have the power and duty to generally cooperate with Developer, including, without limitation, to execute all and any documents as Developer shall request from time to time, provided that such acts do not substantially, materially and adversely affect the interests of the Permanent Membership. Without limiting the generality of the foregoing, the Board shall execute such instruments as requested by Developer on behalf of Developer's lender.

(z) Obligation to Extend Term of Trust Agreements. Subject to the then applicable requirements of Mexican law, including without limitation, laws which then restrict the use of Ocho Cascadas by foreign persons, to take all corporate acts necessary, on or before March 2, 2054, to either renew the Trust Agreements or to enter into a new Trust Agreements for Ocho Cascadas, provided that any such new Trust Agreements provides the then Permanent Members with substantially the same rights to use Ocho Cascadas in the same manner as provided for in the Membership Purchase and Security Agreement and these Bylaws, or, alternatively, to take such action as mandated by a vote of a Super-Majority of Members, including, without limitation, selling the Club Maintained Property, or conveying the Club Maintained Property to a corporation organized under the laws of Mexico, the shareholders of which would be the Permanent Members, or if the laws of Mexico then permit direct ownership of the Club Maintained Property by foreign persons, conveying undivided interests in the Club Maintained Property to Permanent Members; provided, however, that if the Permanent Members for any reason fails to vote for a course of action after the Board has used its best efforts to facilitate such vote, then the Board, upon a finding that the Permanent Members will suffer substantial detriment if action is not taken, shall have the duty to take action to preserve the rights of the Permanent Membership to use the Club Maintained Property after expiration of the Trust Agreements, or, if such use is not then legally possible under Mexican law, to take such actions as are necessary to preserve the economic interests of the Permanent Membership, including, without limitation, the sale of the Club Maintained Property and the distribution of the sales proceeds to the Permanent Membership.

4.3 Authority and Duty to Engage Managing Agent. The Association shall have the authority to engage and the obligation to use its best efforts to engage and maintain a reputable firm as the Managing Agent for Ocho Cascadas pursuant to a Management Agreement. Prior to the turnover date, the term provisions of each Management Agreement shall be subject to the approval of the Developer and shall

provide for (a) the right of the Developer to terminate the Management Agreement with or without cause at any time and (b) the obligation of the Managing Agent, at the expense of the Association, to procure and maintain fidelity insurance or a fidelity bond in a form and in an amount reasonably satisfactory to the Board.

4.4 Limited Liability.

Neither the Association nor the Managing Agent shall be responsible for the acts, omissions or conduct of any Permanent Member, Permitted User or Exchange User, or for the breach of any of the obligations of any Permanent Member, Permitted User or Exchange User.

ARTICLE V. ASSESSMENTS AND PERSONAL CHARGES

5.1 Creation of Personal Obligations For Assessments. From and after the Starting Date, Developer, for each Developer Membership, hereby covenants, and each Owner accepting the conveyance of a Permanent Membership, whether or not it shall be so expressed in the Original Membership Assignment, shall be deemed to have covenanted and agreed, for each such Permanent Membership owned, to pay to the Association all Assessments which shall be established, made and collected as hereinafter provided. Personal Charges shall not be deemed to be Assessments for any purposes hereunder. Developer may, in lieu of payment of the Basic Assessment, enter into a Subsidy Agreement with the Association. The Assessments, together with interest thereon, costs and reasonable attorneys' fees shall be the personal obligation of each Permanent Member at the time each Assessment becomes due and payable and shall be a lien and charge upon the Permanent Membership against which such Assessment is made. Subject to the provisions of subsection 6.2(b), below, the personal obligation for delinquent Assessments shall not pass to successors-in-title unless expressly assumed. No Owner may waive or otherwise avoid liability for the Assessments by non-use of his Permanent Membership Interest or any part thereof or any abandonment thereof.

5.2 Purpose of Assessments. Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Permanent Members, to maintain, repair and improve Ocho Cascadas and Common Furnishings, to pay for the expenses incurred by the Association and other expenditures incurred in the performance of the duties of the Association as set forth in these Bylaws.

5.3 Limitation on Common Expenses. Except as provided in Section 5.4, below, without the Consent of a Majority of Members, the Common Expenses for any applicable Fiscal Year subsequent to the 2014 Fiscal Year shall not exceed 120% of the Common Expenses for the preceding Fiscal Year (without regard to any increase or decrease as set forth in Section 5.4, below, and without regard for increases due to currency valuations between the U.S. Dollar and the Mexican Peso).

5.4 Commencement of Basic Assessment. The Basic Assessment shall commence as to each Permanent Membership upon the issuance thereof by the Association.

5.5 Increase and Reduction of Budget. In the event of annexation of all or a portion of the Annexable Property pursuant to Article VIII hereof, the Board shall, not later than sixty (60) days following the Annexation Date, cause to be prepared a supplemental Budget showing an increase in the Common Expenses for the applicable Fiscal Year attributable to the addition of Villas and Common Furnishings to Ocho Cascadas caused by such annexation, prorated for the remainder of the Fiscal Year from such Annexation Date, and shall levy a Basic Assessment as of the Starting Date for such annexed Villas and Common Area.

(b) In the event of deannexation pursuant to Article VIII, the Board shall, not later than sixty (60) days following the Deannexation Date, cause to be prepared a supplemental Budget showing a decrease in the Common Expenses for the applicable Fiscal Year attributable to the deannexation of Villas, Common Area and Common Furnishings from Ocho Cascadas caused by such deannexation prorated for the remainder of the Fiscal Year from such Deannexation Date.

(c) Each Owner hereby further agrees that in the event the Board shall determine at any time during the Fiscal Year that the Budget is, or will be, in excess of the amounts needed to meet the Common Expenses (other than Reserve Expenses), respectively, for such Fiscal Year, the Board shall have the authority, exercisable in its sole discretion, to cause to be prepared an estimate of the amount of such excess, which excess shall then be subtracted from the previously prepared Budget, respectively, for the Fiscal Year to which such excess is applicable. Except as may be determined by the Permanent Members on an annual basis, (i) no Owner shall, by reason of such reduction, be entitled to a refund of all or any portion of any Basic Assessment previously paid, and (ii) each Permanent Member hereby agrees that any amount assessed and collected in excess of the amount required to meet the Common Expenses (other than Reserve Expenses) shall be applied to reduce the amount assessed to meet the Common Expenses, respectively, for the next succeeding Fiscal Year. Any reduction in the Budget, as provided herein, shall not relieve any Permanent Member from his obligation to pay any past due Basic Assessment.

5.6 Basic Assessment.

The Basic Assessment shall commence as to each Permanent Membership on the Starting Date for such Permanent Membership. With respect to the first Basic Assessment for each Permanent Membership, if the Use Week of the Permanent Membership specified in an Original Membership Assignment has already occurred as of the date of the Original Membership Assignment, then Basic Assessment for such Permanent Membership shall be paid by Developer. However, if the Use Week of the Permanent Membership specified in an Original Membership Assignment has not already occurred as of the date of the Original Membership Assignment, then Basic Assessment for such Permanent Membership shall be paid by the Permanent Member who owns such Permanent Membership.

5.7 Payment of Basic Assessment by Permanent Members and Developer. The Basic Assessment shall be payable by Permanent Members and Developer as follows:

(a) For the initial Fiscal Year and any subsequent Fiscal Year in which a Permanent Member becomes such, as provided in the Membership Purchase and Security Agreement.

(b) With respect to a Membership, the Basic Assessment shall be payable in one lump sum due on or before the first day of October of each Fiscal Year.

(c) Except in those Fiscal Years for which a Subsidy Agreement is in effect, with respect to each Developer Membership, Developer shall pay the Basic Assessment to the Association in four (4) equal installments, commencing on January 1 of each Fiscal Year and continuing on the first day of each quarter thereafter until paid; provided, however, that Developer's obligations for the payment of the Basic Assessment attributable to a Developer Membership shall cease as to such Developer Membership upon conveyance thereof by a Membership Purchase and Security Agreement.

(d) That portion of any Basic Assessment which is attributable to Reserve Expenses shall be deposited in the Reserve Account.

5.8 Special Assessments. If the Basic Assessments collected or to be collected for a particular Fiscal Year are, or will be, inadequate to meet all expenses incurred by the Association hereunder (other than for items constituting Personal Charges) for any reason, the Association shall immediately determine the approximate amount of such inadequacy (the "**Shortfall**"), prepare and distribute a supplemental budget and levy against each Permanent Membership a Special Assessment as set forth below in this Section 5.8. The Special Assessment for each Permanent Membership shall be determined in the same method as used to determine the Basic Assessment as set forth in Section 1.7 entitled "Basic Assessment" except that the term "Special Assessment" shall be substituted for the term "Basic Assessment" and the term "Shortfall" shall be substituted for the term "Common Expenses".

(b) Notwithstanding the foregoing, without the Consent of a Majority of Members, the Special Assessments shall not, in the aggregate in any particular Fiscal Year, exceed ten percent (10%) of the Common Expenses for such Fiscal Year, without regard to fluctuations between the U.S. Dollar and the Mexican Peso. Notwithstanding the foregoing, Special Assessment increases shall not be limited in the case of any of the following "emergency situations":

- (i) an extraordinary expense required by court order;
- (ii) an extraordinary increase or decrease in the value of the Mexican Peso in US Dollars;
- (iii) an extraordinary expense for repair or maintenance of Ocho Cascadas or Common Furnishings where a threat to personal safety is discovered; or
- (iv) an extraordinary expense for repair or maintenance of Ocho Cascadas or Common Furnishings which expense could not have been reasonably foreseen in preparing the Budget; provided, however, that prior to imposition of such an assessment, the Board shall make written findings as to the necessity of the expense and why such expense could not have been reasonably foreseen and such findings shall be distributed to the Permanent Members with the notice of assessment.

Any Special Assessment shall be payable in one lump sum or periodically, as determined by the Association.

5.9 Personal Charges. Personal Charges are not Assessments and the remedies available to the Association against any Permanent Member for nonpayment of such Permanent Member's Personal Charges are those remedies provided in Section 6.1 and subsection 6.2(a), below.

(b) Personal Charges shall be paid by each Owner as follows:

(i) If the Association is able to determine the amount of Personal Charges at Check-Out Time (for example, Personal Charges constituting long distance telephone charges, optional housekeeping service, etc.), such Personal Charges shall be payable at the termination of the Permanent Member's Use Period.

(ii) Personal Charges which are not ascertainable at the time of termination of an Permanent Member's Use Period shall be payable as determined by the Association.

ARTICLE VI. ENFORCEMENT OF RESTRICTIONS

6.1 In General.

In the event that any Permanent Member, Exchange User or Owner's Permitted User(s) should fail to comply with any of the provisions of the Governing Instruments, then the Board shall have full power and authority to enforce compliance with the Governing Instruments in any manner provided for therein, by law or in equity, including, without limitation, the right to enforce the Governing Instruments by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of the Governing Instruments, to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for a Permanent Member and the right to take possession of the Permanent Membership of such Owner in any lawful manner. In the event the Association or any Owner(s) shall employ an attorney to enforce the provisions of the Governing Instruments against any Owner, the party engaging the attorney shall be entitled to recover from such Permanent Member, Permitted User or Exchange User violating any such provisions reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by a Permanent Member which become Delinquent shall bear interest at the rate of twenty-one percent (21%) per annum or the maximum rate permitted by law, whichever is less, from the due date, or if advanced or incurred by the Association, or any other Owner pursuant to authorization contained in these Bylaws, commencing ten (10) days after repayment is requested. Each Permanent Member who becomes Delinquent in the payment of any amount due the Association shall pay to the Association a late charge of twenty-five percent (25%) of each payment which is delinquent. All enforcement powers of the Association shall be cumulative. Developer and each Permanent Member, by accepting the conveyance of a Permanent Membership, shall be deemed to have covenanted and agreed that the Association shall have all of the rights, powers and remedies set forth in this Article VI and elsewhere in these Bylaws.

6.2 Certain Specific Enforcement Powers.

In amplification of, and not in limitation of, the general powers specified in Section 6.1 above, the Association shall have the following rights and powers:

(a) Suspension of Privileges and Imposition of Monetary Penalties. If any Permanent Member or his Permitted User shall be in breach of the Governing Instruments, including but not limited to the failure of such Permanent Member to pay any Assessment or Personal Charges on or before the due date therefor, subject to the limitations hereinafter set forth in this subsection 6.2(a), the Association may suspend the right of such Permanent Member to occupy a Villa and the right of such Permanent Member to

participate in any vote or other determination provided for herein, and may assess monetary penalties therefor. No such suspension or imposition of monetary penalties, except a suspension of privileges or imposition of monetary penalties for the failure of such Permanent Member to pay any Assessments or Personal Charges, any portion thereof or any other amount(s) due hereunder on or before the due date therefor, shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in the Bylaws for the noticing, calling and holding of a meeting of the Board. Written notice of such meeting, the purpose thereof, including the reasons for the suspension sought or the monetary penalties sought to be imposed, and whether the Permanent Member's defense shall be oral or written, shall be given to the Permanent Member whose privileges are being sought to be suspended or against whom monetary penalties are sought to be imposed at least fifteen (15) days prior to the holding of such meeting. Such notice shall be given as provided at Section 10.3, below. Such Member shall be entitled to appear at such meeting and present his case, either orally or in writing as designated by the Board, as to why his privileges should not be suspended or such monetary penalties should not be imposed. The decision as to whether such privileges should be suspended or such monetary penalties imposed shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension, the length thereof or monetary penalties imposed and the reasons therefor shall be given to the affected Permanent Member and the suspension or monetary penalties shall become effective five (5) days following the date such notice is given. If such suspension of privileges or imposition of monetary penalties is based on the failure of an Permanent Member to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspension shall become effective upon the date of the Board's decision to suspend such privileges and such suspended privileges of such Permanent Member shall be reinstated automatically at such time as the Permanent Member shall have paid to the Association, in cash or by cashier's or certified check, all amounts past due as of the date of such reinstatement, together with accrued and unpaid interest and any late charges or other monetary penalties imposed. If such suspension of privileges is based on any act or omission other than the failure of a Permanent Member to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspended privileges shall be automatically reinstated upon the expiration of the period stated in the suspension notice. In case of any emergency situation which, in the reasonable judgment of the Managing Agent requires an immediate suspension of the rights or privileges of an occupant of a Villa in order to protect persons or property at Ocho Cascadas, the Association delegates to the Managing Agent the power to suspend the privileges of any Permanent Member, Exchange User or Permitted User during the period of time that such Owner, Exchange User or Permitted User is in violation of the Governing Instrument. Further, the Association delegates to the Managing Agent the power to suspend the privileges of any Permanent Member, Exchange User or Permitted User during the period of time that such Permanent Member, Exchange User or Permitted User is Delinquent in the payment of an Assessment or Personal Charge duly levied by the Association, subject to the provisions of this subsection.

(b) Enforcement by Lien. Subject to the provisions of Section 6.3, there is hereby created a claim of lien, with power of sale in accordance with the Security Interest Laws, on each Permanent Membership in the nature of a personal property security interest to secure the prompt and faithful performance of each Permanent Member's obligations for the payment to the Association of any and all amounts due the Association by such Permanent Member, including, but not limited to, Assessments levied against such Permanent Membership under these Bylaws, together with interest thereon at the rate of twenty-one percent (21%) per annum or the maximum rate permitted by law, whichever is less, from the date of delinquency, and all late charges and costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees. Without limiting any other rights the Association may have under the Security Interest Laws, the Association may, in its sole discretion, enforce the lien created hereunder in each Permanent Membership by accepting the forfeiture of all of the defaulting Permanent Member's rights and privileges pertaining to the Permanent Membership in lieu of pursuing any deficiency against the defaulting Permanent Member, or the Association may preserve its rights to the deficiency owed by such Permanent Member by offering the Permanent Membership of the defaulting

Permanent Member for sale to the general public pursuant to Article IX of the Security Interest Laws. Such sale shall not occur earlier than 60 days after written notice to the defaulting Permanent Member of the time and place of the sale, and the public sale shall be conducted in a commercially reasonable manner. A defaulting Permanent Member shall have the right to cure his or her default at any time prior to the public sale by paying all amounts then in default, including all late charges and costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees, as more particularly described above. Without limitation, a commercially reasonable sale shall include (a) a public sale by persons duly licensed under applicable law to sell a Permanent Membership which is advertised at least five days before the sale in a nationally distributed periodical relating to the leisure industry; or (b) a private sale made on substantially the same terms and conditions as the original sale of the Permanent Membership or on substantially the same terms and conditions as a new Permanent Membership at the time of the resale. Any purchaser at a commercially reasonable sale must be acceptable to the Association in accordance with guidelines set forth from time to time by the Board. The proceeds of any foreclosure or judgment sale provided for in these Bylaws shall first be paid to discharge court costs, court reporter charges, reasonable attorneys' fees, and costs of the sale, and all other expenses of the proceedings and sale, and the balance of the proceeds, after satisfaction of such charges, monetary penalties, unpaid Assessments hereunder, Personal Charges or any liens, and subject to the rights of any person holding a bone fide security interest in the Permanent Membership, shall be paid to the defaulting Permanent Member. The purchaser at any such sale shall obtain title to the Permanent Membership free from the sums or performance claimed (except as stated in this section) but otherwise subject to the provisions of these Bylaws; and no such sale or transfer shall relieve such Permanent Membership or the purchaser thereof from liability for any Assessments, other payments or performance thereafter becoming due or from the lien therefor as provided for in this subparagraph. All sums assessed hereunder but still unpaid shall remain the obligation of and shall be payable by the Permanent Member foreclosed upon; but if such sum should prove uncollectible, then it shall be deemed to be a Common Expense, collectable from all of the other Permanent Members, including the purchaser thereof at foreclosure, and shall be shared among such Permanent Members in the same manner as other Common Expenses are shared. Upon the timely curing of any default for which a lien was filed by the Association, the officers of the Association are hereby authorized and instructed to file an appropriate release of such lien in accordance with the provisions of the Security Interest Laws.

6.3 Subordination to Certain Security Interests. The lien provided for herein shall be prior to all encumbrances made by an Owner or imposed by legal process upon any Owner except taxes, bonds, assessments and other levies which by law are prior thereto, whether the lien is perfected prior or subsequent to any such encumbrances, except that the lien provided for herein shall be subordinate to the lien of any security interest given in good faith and for value by the Owner thereof to purchase the Permanent Membership from the Developer. The sale or transfer of any Permanent Membership shall not defeat or affect the lien provided for herein; provided, however, that the sale or transfer of any such interest which is subject to any such purchase money security interest given in good faith and for value to the Developer pursuant to a foreclosure under such security interest shall extinguish the lien provided for herein as to payments which became due prior to such sale or transfer. No such sale or transfer shall relieve such Permanent Membership or the purchaser thereof from liability for any Assessment(s) thereafter becoming due or from the lien thereof.

ARTICLE VII.

DAMAGE AND DESTRUCTION

7.1 Club Maintained Property.

(a) In the event of any damage or destruction, whether resulting from an insured casualty, uninsured casualty or a partial taking in eminent domain or other governmental proceedings, to the Club Maintained Property, or the Contents therein, other than by ordinary wear and tear, the Association, subject to the provisions of subsection 7.1(b) and Article VIII hereof, shall cause such damage or destruction to be

repaired promptly and shall use any available insurance or condemnation proceeds for such purpose. If insurance or condemnation proceeds are not payable under the circumstances, or if the available insurance or condemnation proceeds are insufficient, the Association shall, subject to the provisions of subsection 7.1(b) and the next succeeding sentence, levy against all Permanent Members a Reconstruction Assessment at a uniform rate determined in accordance with the method for calculating the Basic Assessment, for the amount required to meet the cost of such repair or restoration. In the event the damage or destruction was caused by the intentional or negligent act or omission of a Permanent Member or his Permitted User(s), the cost of such repair or the amount of such deficiency shall be a Personal Charge and paid by such Permanent Member as provided in Paragraph 5.9 above.

(b) In the event the amount of the Reconstruction Assessment which is required to be levied pursuant to this Paragraph 7.1 shall exceed 20 percent of the amount of Common Expenses for such Fiscal Year, such Reconstruction Assessment shall not be levied unless such Reconstruction Assessment is approved with the Consent of a Majority of Members.

ARTICLE VIII.

ANNEXATION AND DEANNEXATION

8.1 Generally. Developer shall have, for the benefit of the Annexable Property: a non-exclusive right to use those parts of Ocho Cascadas which are reasonably necessary for ingress to and egress from the Annexable Property, and for the provision of utility services to the Annexable Property; provided, however, that the Developer's rights hereunder shall not unreasonably (i) interfere with or diminish the rights of Permanent Members to use and occupy the Villas and the Common Area or (ii) interfere with the use and occupancy of the Villas and the Common Area by the Association, as the case may be, as reasonably required to administer the Club Maintained Property and the Ocho Cascadas share ownership program; and

(b) an exclusive right to use any part of Ocho Cascadas upon which any structural improvements to the Annexable Property encroach. Developer hereby grants to the Association a reciprocal exclusive right to use any part of the Annexable Property upon which Improvements encroach.

The use of the foregoing easements for the construction of new Villas or other improvements to the Annexable Property shall not be deemed an unreasonable interference with the use and occupancy of the Villas and the Common Area by either the Permanent Members or the Association. Developer shall maintain the Annexable Property (except that part which is Club Maintained Property pursuant to an agreement between Developer and the Association, which part of the Annexable Property shall be maintained, subject to the reasonable approval of the Developer, by the Association) to a standard at least equal to that which the Club Maintained Property is maintained. Developer shall pay a reasonable pro-rated share of those expenses, attributable to Annexed Property which is not Club Maintained Property which cannot be properly segregated and exclusively allocated to either the Annexed Property or the Club Maintained Property.

8.2 Cooperation with the Association. Developer shall cooperate with the Association and use reasonable efforts to determine (a) those expenses which cannot be segregated as set forth in Paragraph 8.1 above; (b) a reasonable and proper allocation of such expenses between the Annexable Property and the Club Maintained Property; (c) the means of co-payment, with the Association, of such expenses and (d) other issues, and the solutions thereto, arising from the common ownership by the Association and the Developer of any Annexed Property which is not Club Maintained Property.

8.3 Annexation of Annexable Property. All or any of the Annexable Property may be annexed under the plan for Ocho Cascadas project under these Bylaws by Developer, and if Developer is not the owner of the Annexable Property to be annexed, jointly by Developer and the owner of the Annexable Property to be

annexed, pursuant to a Declaration of Annexation at any time and from time to time without the consent of the Permanent Members. Upon such annexation and at all times thereafter, these Bylaws shall govern the ownership, use and transfer of all such additional Annexable Property, the Villas located therein and any Permanent Memberships described in such Declaration of Annexation. As of the date on which the first Original Membership Assignment is executed by the Developer and filed with the Secretary of the Association, Assessments on all of the Permanent Memberships in such Annexed Property shall commence. Notwithstanding anything to the contrary in these Bylaws, the Association shall not be obligated to furnish maintenance or other services to the Villas within any Annexed Property until Assessments on the Permanent Memberships therein have commenced.

8.4 Annexation Procedures. Any annexation authorized by Sections 8.1 or 8.2, above, shall be made by filing with the Secretary of the Association a Declaration of Annexation with respect to the Annexable Property to be annexed thereby, which declaration shall extend the scheme of these Bylaws to such Annexable Property and the Villas and Common Areas therein. The Declaration of Annexation shall contain at least the following:

(a) a description of the Annexable Property or part thereof the Villa upon each to be annexed by reference to a Villa Plan attached thereto as Exhibit "B" and identifying such Villas; a description, in accordance with the number designation system set forth on Exhibit "C" to these Bylaws, of the Permanent Memberships to be annexed; the names and addresses of the record owner or owners of such Permanent Memberships; and

(b) a statement annexing such Annexable Property as part of Ocho Cascadas under these Bylaws and referring to these Bylaws by title, date and instrument number of recording; and

(c) such other terms and conditions as Developer deems advisable or necessary so that these Bylaws, as modified by such terms and conditions, provides more accurately for any different nature of such Villas; provided, however, that such terms and conditions shall not be inconsistent or in conflict with the terms and provisions of these Bylaws and shall not adversely or materially affect the interests of Permanent Members hereunder; and further provided that any reallocation of the Basic Assessment necessitated by such annexation shall be made using the formula set forth in Section 1.7, above.

8.5 Deannexation. Developer may deannex from these Bylaws, in accordance with the procedures set forth in Section 8.6, below:

(a) Prior to the conveyance of a Permanent Membership allocable to a Villa, any such Villa; and

(b) Subsequent to the conveyance of a Permanent Membership allocable to a Villa, any such Villa with the consent of each Permanent Member owning Permanent Membership in such Villa.

8.6 Deannexation Procedures. Any deannexation authorized by Section 8.5, above, shall be made by filing a Declaration of Deannexation with respect to that portion of Ocho Cascadas to be deannexed thereby with the Secretary of the Association. The Declaration of Deannexation shall contain at least the following:

(a) a description of the Villa(s) being deannexed;

(b) a statement deannexing such property from these Bylaws, which shall be referred to by title and date and instrument number of recording; and

(c) such other terms and conditions as Developer deems advisable or necessary; provided, however, that such terms and conditions shall not be inconsistent or in conflict with the terms and provisions of these Bylaws and shall not adversely or materially affect the interests of Permanent Members hereunder.

8.7 Effect of Deannexation. Upon any deannexation pursuant to this Article VIII, and at all times thereafter, these Bylaws shall no longer govern the use, enjoyment, repair, maintenance, restoration and improvement of the property so deannexed, and Developer shall have no obligation to subsidize or pay the Basic Assessment with respect to such property.

ARTICLE IX.
DEVELOPER PROTECTION PROVISIONS

9.1 Generally. Prior to the Turnover Date, the Association shall not, by act or omission, allow Club Maintained Property to waste. Without limiting the generality of the foregoing, the Association shall take all steps reasonably necessary to assure that (a) the Improvements, landscaping and Common Furnishings are in good repair upon expiration of the term of the Trust Agreements, (b) all taxes, fees and other amounts payable to governmental entities with respect to Club Maintained Property are paid when due and (c) the insurance policies required pursuant to Section 4.2(l) herein are procured and at all times maintained.

9.2 Changes to Improvements. Until the Turnover Date, no Improvements of any type or any structural alteration to any Improvement, or any exterior additions or modifications to any Improvements (including, but not limited to painting), or any changes to the interior design of any of the Improvements or any material change or alteration of the landscaping shall be made, constructed or maintained upon Club Maintained Property until the plans and specifications therefor showing the appearance, height, materials and color therefor and a plot plan showing the location thereof shall have been approved (or the right to do so shall have been expressly waived) by Developer. Developer may, in its sole discretion, deny the proposed Improvement or alteration, or may approve it or conditionally approve it in writing. Conditions which the Developer may impose include, without limitation, modification of proposed structural features of any proposed Improvement or alteration, the proposed type of building material to be used or other features or characteristics thereof, the proposed location of any proposed Improvement or alteration, the proposed exterior finish and color and the proposed architectural style or character of any proposed Improvement or alteration. Both before and after the Turnover Date, in order to further protect the value of the Improvements, no signage or plaque upon any of the Improvements identifying the Project as the work of Edward Giddings shall be altered or removed without the consent of the Developer.

9.3 No Detrimental Amendments. No amendment to these Bylaws pertaining to the rights, privileges or obligations of the Developer shall be made without the written consent of the Developer.

ARTICLE X.
MISCELLANEOUS PROVISIONS

10.1 Amendment.

These Bylaws may be amended as set forth below:

(a) These Bylaws may be amended by Developer as follows:

(1) In its sole and absolute discretion and without the consent of any other party at any time prior to the Starting Date;

(2) From and after the Starting Date, these Bylaws may be amended by Developer in its sole and absolute discretion and without the consent of any other party if such an amendment is necessary if the changes are made to correct any scrivener error, provided such amendment does not have a material adverse effect on any Permanent Member.

Any amendment authorized by this Section 10.1(a) shall be evidenced by an instrument in writing, signed and acknowledged by Developer.

(b) These Bylaws may be amended from and after the Starting Date with the Consent of a Majority of Members; provided, however, that (i) Paragraph 10.2, below, may not be amended except by the Consent of a Super-Majority of Members; (ii) no such amendment shall materially abridge any right of Developer hereunder without Developer's written consent; (iii) no such amendment shall materially abridge any right of the Permanent Membership, including, without limitation, the rights of the Directors who are Non-Developer Members under Article IX, above, without the consent of a majority of the voting power of the Non-Developer Membership, and Developer's written consent.. Any amendment authorized pursuant to this Section 10.1(b) shall be evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the Association.

(c) Notwithstanding the provisions of Section 10.1(b), above,

(i) The specific percentages of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes required for action to be taken under such clause or provision;

(ii) No amendment which would defeat the obligations of the Association to maintain the Villas and Common Area in a first-class condition and good state of repair and administer and operate the Association, or which would defeat the assessment procedures which assure the collection of funds for such maintenance and administration shall be made unless such instrument is (i) signed (A) prior to the Turnover Date, by Developer and two (2) officers of the Association and provided that such amendment has been approved by the vote or written assent of seventy-five percent (75%) of the voting power of the Non-Developer Members or (B) on or after the Turnover Date, by two (2) officers of the Association and provided that such amendment has been approved by the vote or written assent of seventy-five percent (75%) of the Membership, including seventy-five percent (75%) of the voting power of the Non-Developer Members; and (ii) approved by not less than seventy-five percent (75%) of the holders of security interests against the Permanent Memberships.

(d) Prior to the Turnover Date, and subject to the provisions of Article IX, above, without the prior written consent of the Developer, no amendment of these Bylaws may be made if such amendment would diminish or impair the rights and privileges of Developer. Any such amendment shall be void and of no force or effect.

(e) The Association, or any Permanent Member may petition the superior court of Orange County, California, for an order reducing the percentage of the affirmative votes necessary to amend these Bylaws. The petition shall describe the effort that has been made to solicit approval of the Permanent Members in the manner provided in these Bylaws. The petition shall also describe the number of affirmative and negative votes actually received, the percentage of affirmative votes required to effect the amendment in accordance with these Bylaws, and other matters the petitioner considers relevant to the court's determination. The petition shall also contain as exhibits thereto, copies of all of the following: (1) the Governing Instruments, (2) a complete text of the amendment, (3) copies of solicitation and notice materials utilized in the solicitation of owner approvals, (4) a short explanation of the reason for the amendment, and (5) any other documentation relevant to the court's determination.

(f) Notwithstanding the foregoing provisions of this Section 9.1, if, by law, any different consent or agreement is required for any action, then any instrument changing, modifying or rescinding any provision of these Bylaws with respect to such action shall be effective only if taken and made as required by law.

(g) No provision in these Bylaws may be changed, modified or rescinded so as to conflict with the provisions of any law. Except in the express exercise of the Developer's rights under these Bylaws, no amendment or termination of these Bylaws which does not apply to all of Ocho Cascadas then covered by these Bylaws shall be made as to any portion of Ocho Cascadas without the written consent of all of the record Permanent Members of such affected portion.

(h) Any amendment must be filed with the Secretary of the Association prior to becoming effective. Any amendment shall be binding upon every Permanent Member and Permanent Membership within Ocho Cascadas whether the burdens thereon are increased or decreased. Except as otherwise provided in a Purchase Agreement, no amendment shall require the consent or approval of any person holding a security interest in a Permanent Membership. Any amendment authorized hereby shall be evidenced by an instrument in writing, signed and acknowledged, and in the event of an amendment requiring the signature of the Association, shall be executed by any two officers of the Association.

(i) Notwithstanding any other provision in these Bylaws, neither an amendment to Exhibit "B" (Villa Plan), Exhibit "C" (Schedule of Permanent Membership Numbers), nor the provisions of any Declaration of Annexation or Declaration of Deannexation shall be deemed to be an amendment of the Declaration for purposes of this Section 10.1. Developer shall have the sole right and power, without a vote of the Permanent Membership, to file a Declaration of Annexation or a Declaration of Deannexation with the Secretary of the Association and to thereby add or subtract Villas and related Common Area from the plan of these Bylaws, and to amend any of the provisions of these Bylaws and the Exhibits thereto to reflect the changes necessary upon the filing of a Declaration of Annexation or a Declaration of Deannexation. The Board and the Managing Agent shall have the power and right to amend any Management Agreement without a vote of the Permanent Membership. The Board and Developer shall have the power and right to amend any Subsidy Agreement without a vote of the Permanent Membership.

10.2 Termination. Not earlier than three (3) years nor later than two (2) years prior to the expiration of the term of the Trust Agreements in 2054, the Board shall convene a meeting of the Permanent Members for the purpose of determining the options for the use of Ocho Cascadas by the Permanent Members on and after expiration of the Trust Agreements. At such meeting, the Permanent Members shall elect one of the options, and shall instruct the Board to engage legal counsel to pursue necessary legal work to effect the option elected. Notwithstanding the foregoing, unless a Super-Majority of Members elects a different option, in the event applicable law permits the extension of the Trust Agreements for an additional term or terms, the Permanent Members must elect to extend the term of the Trust Agreements for the maximum possible period of time, and to renew the trust for as many successive terms as the then applicable law allows, and the Board shall use its best efforts to cause the extension of the term or terms of the Trust Agreements. In clarification of the foregoing, and as an example only, if the laws of Mexico in 2054 permit direct ownership of Ocho Cascadas by foreigners in 2054, and if a Super-Majority of Members vote to take legal steps so that an undivided interest in Ocho Cascadas is conveyed to each Permanent Member, then the Board would engage legal counsel to take all necessary steps to terminate the Trust Agreements concurrently with the trustee's conveyance of an undivided interest in Ocho Cascadas subject to a timeshare plan which sets forth the same rights of use and occupancy of the Villas as are set forth in these Bylaws.

(b) Subject to the provisions of Paragraph 10.1, above, and subsection 10.2(c), below, these Bylaws shall remain in effect for the term of the Trust Agreements (until March 2, 2054), and for such additional period as required to wind up the affairs of the Association. Notwithstanding the foregoing, in the

event the term of the Association's right to use and occupy Ocho Cascadas shall be extended, the term of these Bylaws shall be extended without the approval of any Permanent Member for a period terminating on the date the Association's extended right to use the Club Maintained Property expires.

(c) The Association shall have no right or power to mortgage, hypothecate or transfer its interest in the Trust Agreements to any person other than to the Permanent Members, or to an entity approved by a majority of the Directors who are Non-Developer Members. Prior to the Turnover Date, and notwithstanding the foregoing, no possessory interest in and to the Club Maintained Property may be transferred without the consent of the Developer. Subject to the provisions of the Trust Agreements, if a decision is made by the Permanent Members to sell Ocho Cascadas, the proceeds from the sale shall be equitably distributed to the Permanent Members, in proportion to the value of their respective Permanent Memberships, as determined by an independent appraisal commissioned by the Board.

10.3 Notices. Except as otherwise provided herein, Notices provided for in these Bylaws shall be in writing and shall be deemed sufficiently given either when delivered personally at the appropriate address set forth below (in which event, such notice shall be deemed effective only upon such delivery) or 48 hours after deposit of same in any United States post office box in the state to which the notice is addressed, 72 hours after deposit of same in any such post office box other than in the state to which the notice is addressed, postage prepaid, addressed as set forth below. Any notice to a Permanent Member required under these Bylaws shall be addressed to the Permanent Member at the last address for such Permanent Member appearing in the Roster of Members. Notices to the Association shall be addressed to Ocho Cascadas, 250 Newport Center Drive, Suite 305, Newport Beach, California, 92660. Notices to the Managing Agent shall be addressed to the address designated by the Managing Agent by written notice to all Permanent Members. Notices to Developer shall be addressed to Compania del Rey, L.P., 250 Newport Center Drive, Suite 305, Newport Beach, California, 92660. The addresses and addressees for purposes of this Paragraph 10.3 may be changed by giving notice of such change in the manner herein provided for giving notice. Unless and until such notice is received, the last address and addressee as stated by notice or as provided herein, if no notice of change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

10.4 Severability.

If any provision of these Bylaws, or any section, sentence, clause, phrase or word or the application thereof in any circumstances, shall be held invalid, the validity of the remainder of these Bylaws and of the application of such provision, sentence, clause, phrase or word under any other circumstances shall not be affected thereby.

10.5 Successors.

The provisions of these Bylaws shall be binding upon all parties having or acquiring any Permanent Membership or any right, title or interest therein and shall be for the benefit of each Permanent Member and his heirs, successors and assigns. Each Permanent Member (including Developer) shall be fully discharged and relieved of liability on the covenants herein insofar as such covenants relate to each Permanent Membership upon ceasing to own such Permanent Membership and paying all sums and performing all obligations hereunder insofar as the same relate to such Permanent Membership up to the time his ownership interest terminated.

10.6 Violation or Nuisance.

Every act or omission whereby any provision of the Governing Instruments is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated whether or not the relief sought is for negative or affirmative action, by the Developer, the Association or any Permanent Member.

10.7 Interpretation.

The captions of the Articles, Sections and subsections hereof are for convenience only and shall not be considered to expand, modify or aid in the interpretation, construction or meaning of these Bylaws. As used herein the singular shall include the plural and the masculine shall include the feminine and neuter.

10.8 No Waiver.

The failure to enforce any provision of these Bylaws shall not constitute a waiver thereof or of the right to enforce such provision thereafter.

10.9 Sale of Lot 13; Right of First Refusal.

The Association shall have a right of first refusal if the Developer determines not to develop Lot 13 and to annex Villas thereon under the plan of these Bylaws, but instead determines to sell Lot 13 as a bare lot. In any such event, the Developer shall notify the Association in writing and shall deliver the terms and conditions of sale that the Developer intends to offer for the sale of Lot13. The Association shall then have the right and option to purchase Lot 13 under such terms and conditions for a period of thirty (30) days following Developer’s delivery of the terms and conditions.

10.10 Permanent Membership Resales; Right of First Refusal.

If a Permanent Member desires to sell, convey, or otherwise transfer ownership of his Permanent Membership, the Member shall notify both the Developer (if the Permanent Member procures a buyer prior to the Turnover Date) and the Board in writing and shall deliver a copy of such Permanent Member’s fully executed sales agreement, and all exhibits thereto. The Developer and the Board shall each then have the right and option to purchase the Permanent Membership for terms and conditions specified in the sales agreement delivered for a period of thirty (30) days. If the Developer or the Board elects to exercise its option under this Section and to purchase the Permanent Membership as provided herein, such election shall be made by written notice, sent to the Permanent Member within thirty (30) days following receipt by the Developer or the Board of the Owner’s notice. Such notice from the Developer or the Board shall be deemed to create a binding contract between the Permanent Member, and Developer or Board for the purchase of the Permanent Membership pursuant to the terms and conditions set forth in the sales agreement delivered by the Permanent Member, unless the parties mutually agree to other terms and provisions.

IN WITNESS WHEREOF, Developer and the Association have caused these Bylaws to be executed as of the day and year first-above written.

“DEVELOPER”

Compania del Rey, L.P.,
A California limited partnership

By: Tatiana Didding
Its: President

“ASSOCIATION”

Ocho Cascadas Association, a California nonprofit
mutual benefit corporation

By: Tatiana Didding
Its: President

EXHIBIT A
TO BYLAWS OF OCHO CASCADAS

Legal Description of Lots 15 and 16 and Annexable Property (Lot 13)

[LEGAL DESCRIPTION OF LOT 15]

The property of lot number fifteen of block "S-5", located in Colonia Conchas Chinas, in the City of Puerto Vallarta, State of Jalisco, with a length of 945.55 square meters, with the following measures and limits :

North, in 30.70 m ts with lot number 16 sixteen; SOUTH, in 44.20 m rs with lots number 13 thirteen and 14 fourteen; EAST, in 25.49 m with Paseo de Las Conchas Chinas; and, WEST, in 31.59 m th with Paseo de los Delfines.

[LEGAL DESCRIPTION OF LOT 16]

The property of lot number sixteen, fraction "A" of block "S-5" located in Colonia Conchas Chinas, in the City of Puerto Vallarta, State of Jalisco, with a length of 617.06 square meters, with the following measures and limits t:

"NORTH, in 18.92 m with fraction "B" of lot number 16; SOUTHEAST, in 21.09 m with Paseo de las Conchas Chinas street; SOUTH, in 30.10 m with lot number 15 fifteen; WEST, in curved line of 18.57 m with Paseo de los Delfines street; NORTHWEST, in 4.88 m , plus 6.93 m s, with fraction "B" of lot number 16 sixteen.

[LEGAL DESCRIPTION OF LOT 13]

The property of lot number fifteen of section 5 of the Conchas Chinas re-lotification, in the City of Puerto Vallarta, State of Jalisco, with a length of 708.55 square meters, with the following measures and limits :

North, in 21.10 m ts with lot number 15; SOUTH, in 17 m with lots number 12 thirteen; EAST, in 31.47 m with Lot 14; and, WEST, in 37.96 m th with Paseo de Madreperlas.

EXHIBIT B
TO BYLAWS OF OCHO CASCADAS

Villa Plan

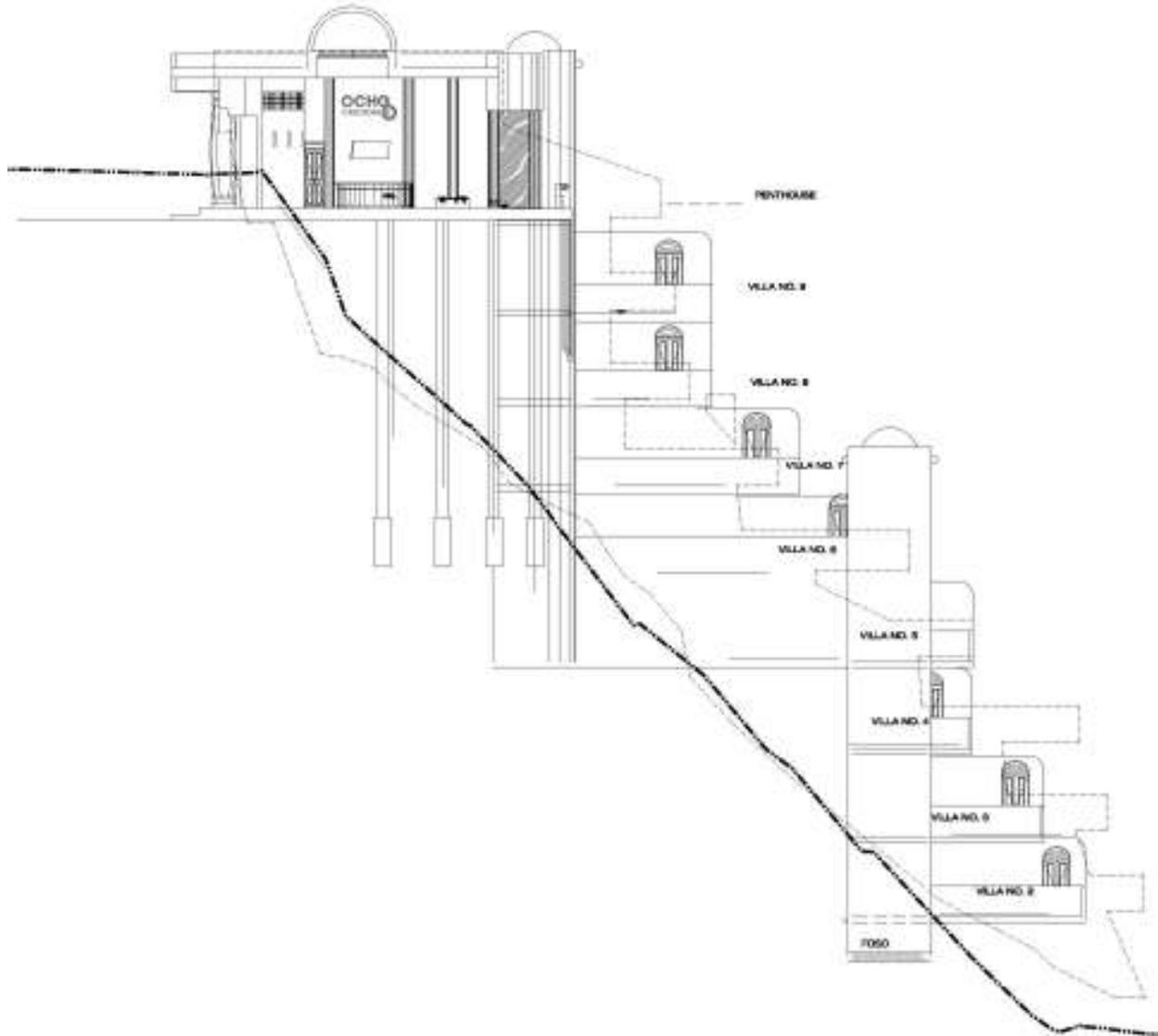


EXHIBIT C
 TO BYLAWS OF OCHO CASCADAS
 Schedule of Permanent Membership Numbers

Villa No.	Membership #	Villa No.	Membership #	Villa No.	Membership #
2	0201	3	0301	4	0401
2	0202	3	0302	4	0402
2	0203	3	0303	4	0403
2	0204	3	0304	4	0404
2	0205	3	0305	4	0405
2	0206	3	0306	4	0406
2	0207	3	0307	4	0407
2	0208	3	0308	4	0408
2	0209	3	0309	4	0409
2	0210	3	0310	4	0410
2	0211	3	0311	4	0411
2	0212	3	0312	4	0412
2	0213	3	0313	4	0413
2	0214	3	0314	4	0414
2	0215	3	0315	4	0415
2	0216	3	0316	4	0416
2	0217	3	0317	4	0417
2	0218	3	0318	4	0418
2	0219	3	0319	4	0419
2	0220	3	0320	4	0420
2	0221	3	0321	4	0421
2	0222	3	0322	4	0422
2	0223	3	0323	4	0423
2	0224	3	0324	4	0424
2	0225	3	0325	4	0425
2	0226	3	0326	4	0426
2	0227	3	0327	4	0427
2	0228	3	0328	4	0428
2	0229	3	0329	4	0429
2	0230	3	0330	4	0430
2	0231	3	0331	4	0431
2	0232	3	0332	4	0432
2	0233	3	0333	4	0433
2	0234	3	0334	4	0434
2	0235	3	0335	4	0435
2	0240	3	00340	4	0440
2	0241	3	0341	4	0441
2	0242	3	0342	4	0442
2	0243	3	0343	4	0443
2	0244	3	0344	4	0444
2	0245	3	0345	4	0445
2	0246	3	0346	4	0446
2	0247	3	0347	4	0447
2	0248	3	0348	4	0448
2	0249	3	0349	4	0449
2	0250	3	0450	4	0450
2	0251	3	0351	4	0451
2	0252	3	0352	4	0452

Schedule of Permanent Membership Numbers

Villa No.	Membership #	Villa No.	Membership #	Villa No.	Membership #
5	0501	6	0601	7	0701
5	0502	6	0602	7	0702
5	0503	6	0603	7	0703
5	0504	6	004	7	0704
5	0505	6	0605	7	0605
5	0506	6	0606	7	0606
5	0507	6	0607	7	0607
5	0508	6	0608	7	0708
5	0509	6	0609	7	0709
5	0510	6	0610	7	0710
5	0511	6	0611	7	0711
5	0512	6	0612	7	0712
5	0513	6	0613	7	0713
5	0514	6	0614	7	0714
5	0515	6	0615	7	0715
5	0516	6	0616	7	0716
5	0517	6	0617	7	0717
5	0518	6	0618	7	0718
5	0159	6	0619	7	0719
5	0520	6	0620	7	0720
5	0521	6	0621	7	0721
5	0522	6	0622	7	0722
5	0523	6	0623	7	0723
5	0524	6	0624	7	0724
5	0525	6	0625	7	0725
5	0526	6	0626	7	0726
5	0527	6	0627	7	0727
5	0528	6	0628	7	0728
5	0529	6	0629	7	0729
5	0530	6	0630	7	0730
5	0531	6	0631	7	0731
5	0532	6	0632	7	0732
5	0533	6	0633	7	0733
5	0534	6	0634	7	0734
5	0535	6	0635	7	0735
5	0540	6	0640	7	0740
5	0541	6	0641	7	0741
5	0542	6	0642	7	0742
5	0543	6	0643	7	0743
5	0544	6	0644	7	0744
5	0545	6	0645	7	0745
5	0546	6	0646	7	0746
5	0547	6	0647	7	0747
5	0548	6	0648	7	0748
5	0549	6	0649	7	0749
5	0550	6	0650	7	0750
5	0551	6	0651	7	0751
5	0552	6	0652	7	0752

Schedule of Permanent Membership Numbers

Villa No.	Membership #	Villa No.	Membership #	Villa No.	Membership #
8	0801	9	0901	10	1001
8	0802	9	0902	10	1002
8	0803	9	0903	10	1003
8	0804	9	0904	10	1004
8	0805	9	0905	10	1005
8	0806	9	0906	10	1006
8	0807	9	0907	10	1007
8	0808	9	0908	10	1008
8	0809	9	0909	10	1009
8	0810	9	0910	10	1010
8	0811	9	0911	10	1011
8	0812	9	0912	10	1012
8	0813	9	0913	10	1013
8	0814	9	0914	10	1014
8	0815	9	0915	10	1015
8	0816	9	0916	10	1016
8	0817	9	0917	10	1017
8	0818	9	0918	10	1018
8	0819	9	0919	10	1019
8	0820	9	08920	10	1020
8	0821	9	0891	10	1021
8	0822	9	0892	10	1022
8	0823	9	0823	10	1023
8	0824	9	0894	10	1024
8	0825	9	0925	10	1025
8	0826	9	0926	10	1026
8	0827	9	0927	10	1027
8	0828	9	0928	10	1028
8	0829	9	0929	10	1029
8	0830	9	0930	10	1030
8	0831	9	031	10	1031
8	0832	9	0932	10	1032
8	0833	9	0933	10	1033
8	0834	9	0934	10	1034
8	0835	9	0935	10	1035
8	0840	9	0940	10	1040
8	0841	9	0941	10	1041
8	0842	9	0942	10	1042
8	0843	9	0943	10	1043
8	0844	9	0944	10	1044
8	0845	9	0945	10	1045
8	0846	9	0946	10	1046
8	0847	9	0947	10	1047
8	0848	9	0948	10	1048
8	0849	9	0949	10	1049
8	0850	9	0950	10	1050
8	0851	9	0951	10	1051
8	0852	9	0952	10	1052

EXHIBIT D TO BYLAWS OF OCHO CASCADAS

Use Week Calendar *Check In Date Thursday*

Prime Winter Weeks 01 to 13													Winter Wks 14 to 17				
Yr.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2014	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	27-Feb	6-Mar	13-Mar	20-Mar	27-Mar	3-Apr	10-Apr	17-Apr	24-Apr
2015	1-Jan	8-Jan	15-Jan	22-Jan	29-Jan	5-Feb	12-Feb	19-Feb	26-Feb	5-Mar	12-Mar	19-Mar	26-Mar	2-Apr	9-Apr	16-Apr	23-Apr
2016	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	3-Mar	10-Mar	17-Mar	24-Mar	31-Mar	7-Apr	14-Apr	21-Apr	28-Apr
2017	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb	2-Mar	9-Mar	16-Mar	23-Mar	30-Mar	6-Apr	13-Apr	20-Apr	27-Apr
2018	4-Jan	11-Jan	18-Jan	25-Jan	1-Feb	8-Feb	15-Feb	22-Feb	1-Mar	8-Mar	15-Mar	22-Mar	29-Mar	5-Apr	12-Apr	19-Apr	26-Apr
2019	3-Jan	10-Jan	17-Jan	24-Jan	31-Jan	7-Feb	14-Feb	21-Feb	28-Feb	7-Mar	14-Mar	21-Mar	28-Mar	4-Apr	11-Apr	18-Apr	25-Apr
2020	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	27-Feb	5-Mar	12-Mar	19-Mar	26-Mar	2-Apr	9-Apr	16-Apr	23-Apr
2021	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	4-Mar	11-Mar	18-Mar	25-Mar	1-Apr	8-Apr	15-Apr	22-Apr	29-Apr
2022	6-Jan	13-Jan	20-Jan	27-Jan	3-Feb	10-Feb	17-Feb	24-Feb	3-Mar	10-Mar	17-Mar	24-Mar	31-Mar	7-Apr	14-Apr	21-Apr	28-Apr
2023	5-Jan	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb	2-Mar	9-Mar	16-Mar	23-Mar	30-Mar	6-Apr	13-Apr	20-Apr	27-Apr
2024	4-Jan	11-Jan	18-Jan	25-Jan	1-Feb	8-Feb	15-Feb	22-Feb	29-Feb	7-Mar	14-Mar	21-Mar	28-Mar	4-Apr	11-Apr	18-Apr	25-Apr
2025	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	27-Feb	6-Mar	13-Mar	20-Mar	27-Mar	3-Apr	10-Apr	17-Apr	24-Apr
2026	1-Jan	8-Jan	15-Jan	22-Jan	29-Jan	5-Feb	12-Feb	19-Feb	26-Feb	5-Mar	12-Mar	19-Mar	26-Mar	2-Apr	9-Apr	16-Apr	23-Apr
2027	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	4-Mar	11-Mar	18-Mar	25-Mar	1-Apr	8-Apr	15-Apr	22-Apr	29-Apr
Winter Wks 18 to 22					Shoulder Wks 23 to 29							Summer 30 to 35					
Yr.	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32		
2014	1-May	8-May	15-May	22-May	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug		
2015	30-Apr	7-May	14-May	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug		
2016	5-May	12-May	19-May	26-May	2-Jun	9-Jun	16-Jun	23-Jun	30-Jun	7-Jul	14-Jul	21-Jul	28-Jul	4-Aug	11-Aug		
2017	4-May	11-May	18-May	25-May	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	6-Jul	13-Jul	20-Jul	27-Jul	3-Aug	10-Aug		
2018	3-May	10-May	17-May	24-May	31-May	7-Jun	14-Jun	21-Jun	28-Jun	5-Jul	12-Jul	19-Jul	26-Jul	2-Aug	9-Aug		
2019	2-May	9-May	16-May	23-May	30-May	6-Jun	13-Jun	20-Jun	27-Jun	4-Jul	11-Jul	18-Jul	25-Jul	1-Aug	8-Aug		
2020	30-Apr	7-May	14-May	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug		
2021	6-May	13-May	20-May	27-May	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug		
2022	5-May	12-May	19-May	26-May	2-Jun	9-Jun	16-Jun	23-Jun	30-Jun	7-Jul	14-Jul	21-Jul	28-Jul	4-Aug	11-Aug		
2023	4-May	11-May	18-May	25-May	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	6-Jul	13-Jul	20-Jul	27-Jul	3-Aug	10-Aug		
2024	2-May	9-May	16-May	23-May	30-May	6-Jun	13-Jun	20-Jun	27-Jun	4-Jul	11-Jul	18-Jul	25-Jul	1-Aug	8-Aug		
2025	1-May	8-May	15-May	22-May	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug		
2026	30-Apr	7-May	14-May	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug		
2027	6-May	13-May	20-May	27-May	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug		
Summer 30-35				Winter Weeks 40 to 50											Holiday		
Yr.	33	34	35	40	41	42	43	44	45	46	47	48	49	50	51	52	
2014	14-Aug	21-Aug	28-Aug	2-Oct	9-Oct	16-Oct	23-Oct	30-Oct	6-Nov	13-Nov	20-Nov	27-Nov	4-Dec	11-Dec	18-Dec	25-Dec	
2015	13-Aug	20-Aug	27-Aug	1-Oct	8-Oct	15-Oct	22-Oct	29-Oct	5-Nov	12-Nov	19-Nov	26-Nov	3-Dec	10-Dec	17-Dec	24-Dec	
2016	18-Aug	25-Aug	1-Sep	6-Oct	13-Oct	20-Oct	27-Oct	3-Nov	10-Nov	17-Nov	24-Nov	1-Dec	8-Dec	15-Dec	22-Dec	29-Dec	
2017	17-Aug	24-Aug	31-Aug	5-Oct	12-Oct	19-Oct	26-Oct	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	7-Dec	14-Dec	21-Dec	28-Dec	
2018	16-Aug	23-Aug	30-Aug	4-Oct	11-Oct	18-Oct	25-Oct	1-Nov	8-Nov	15-Nov	22-Nov	29-Nov	6-Dec	13-Dec	20-Dec	27-Dec	
2019	15-Aug	22-Aug	29-Aug	3-Oct	10-Oct	17-Oct	24-Oct	31-Oct	7-Nov	14-Nov	21-Nov	28-Nov	5-Dec	12-Dec	19-Dec	26-Dec	
2020	13-Aug	20-Aug	27-Aug	1-Oct	8-Oct	15-Oct	22-Oct	29-Oct	5-Nov	12-Nov	19-Nov	26-Nov	3-Dec	10-Dec	17-Dec	24-Dec	
2021	19-Aug	26-Aug	2-Sep	7-Oct	14-Oct	21-Oct	28-Oct	4-Nov	11-Nov	18-Nov	25-Nov	2-Dec	9-Dec	16-Dec	23-Dec	30-Dec	
2022	18-Aug	25-Aug	1-Sep	6-Oct	13-Oct	20-Oct	27-Oct	3-Nov	10-Nov	17-Nov	24-Nov	1-Dec	8-Dec	15-Dec	22-Dec	29-Dec	
2023	17-Aug	24-Aug	31-Aug	5-Oct	12-Oct	19-Oct	26-Oct	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	7-Dec	14-Dec	21-Dec	28-Dec	
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2027	19-Aug	26-Aug	2-Sep	7-Oct	14-Oct	21-Oct	28-Oct	4-Nov	11-Nov	18-Nov	25-Nov	2-Dec	9-Dec	16-Dec	23-Dec	30-Dec	

Closed for Maintenance Weeks 36 & 37 & 38 & 39

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I. DEFINITIONS	3
1.1 “Administrative Common Area”	3
1.2 “Annexable Property”	3
1.3 “Annexed Property”	3
1.4 “Annexation Date”	3
1.5 “Annual Report”	3
1.6 “Articles”	4
1.7 “Assessments”	4
1.8 “Basic Assessment”	4
1.9 “Board”	4
1.10 “Budget”	4
1.11 “Bylaws”	4
1.12 “Check-In Time” and “Check-Out Time”	4
1.13 “Club Maintained Property”	4
1.14 “Common Area”	5
1.15 “Common Expenses”	5
1.16 “Common Furnishings”	5
1.17 “Consent of a Majority of Non-Developer Members”	5
1.18 “Consent of a Majority of Members”	6
1.19 “Consent of a Super-Majority of Members”	6
1.20 “Deannexation Date”	6
1.21 “Declaration of Annexation”	6
1.22 “Declaration of Deannexation”	6
1.23 “Delinquent”	6
1.24 “Designated User”	6
1.25 “Detained User”	6
1.26 “Detaining User”	6
1.27 “Developer”	6
1.28 “Developer Memberships”	6
1.29 “Exchange and Exclusive Right to Sell Memberships Agreement”	7
1.30 “Exchange Program”	7
1.31 “Exchange User”	7
1.32 “Fair Rental Value”	7
1.33 “Fiscal Year”	7
1.34 “General Account”	7
1.35 “Governing Instruments”	7
1.36 “Maintenance Periods”	7
1.37 “Managing Agent”	7
1.38 “Management Agreement”	7
1.39 “Non-Developer Member”	7
1.40 “Non-Developer Members”	7
1.41 “Non-Developer Membership”	8
1.42 “Non-Developer Memberships”	8
1.43 “Original Membership Assignment”	8
1.44 “Owner”	8
1.45 “Permanent Member”	8
1.46 “Permanent Membership”	8
1.47 “Permitted User”	8

1.48 “Personal Charges”	8
1.49 “Purchase Agreement”	8
1.50 “Reconstruction Assessment”	8
1.51 “Reserve Account”	9
1.52 “Reserve Expenses”	9
1.53 “Roster”	9
1.54 “Rules and Regulations”	9
1.55 “Security Interest Laws”	9
1.56 “Special Assessment”	9
1.57 “Starting Date”	9
1.58 “Statement of Status”	9
1.59 “Subsidy Agreement”	9
1.60 “Turnover Date”	9
1.61 “Trust Agreements”	9
1.62 “Use Period”	9
1.63 “Use Week”	9
1.64 “Use Week Calendar”	10
1.65 “Use Year”	10
1.66 “Villa”	10
1.67 “Villa Plan”	10
ARTICLE II. USE RIGHTS AND RESTRICTIONS	10
2.1 Use Rights.	10
2.2 Failure to Vacate.	10
2.3 Use Restrictions.	11
2.4 Transfer of Interest; Ownership of Permanent Membership by Multiple Persons..	12
2.5 Rights of Developer and the Association to Use Club Maintained Property.	12
2.6 Protection of Interest.	13
2.7 Animals.	13
2.8 Offensive Activity.	13
2.9 Compliance With Laws.	14
2.10 No Increased Insurance.	14
ARTICLE III. INTERNAL ASSOCIATION AFFAIRS.....	14
3.1 Principal Office.	14
3.2 Membership in the Association.	14
3.3 Membership Rights and Duties.	14
3.4 Voting.	14
3.5 Meetings of Permanent Members;	15
3.6 Directors:	19
3.7 Officers.	22
3.8 Indemnification of Directors, Officers, Employees, and other Agents	23
3.9 Miscellaneous.	25
3.10 Dissolution.	26
ARTICLE IV. MANAGEMENT	26
4.1 Powers and Duties Generally.	26
4.2 Specific Powers and Duties of the Association.	27
4.3 Authority and Duty to Engage Managing Agent.	32
4.4 Limited Liability.	33
ARTICLE V. ASSESSMENTS AND PERSONAL CHARGES	33
5.1 Creation of Personal Obligations For Assessments	33
5.2 Purpose of Assessments.	33
5.3 Limitation on Common Expenses.	33
5.4 Commencement of Basic Assessment.	33

5.5 Increase and Reduction of Budget.	34
5.6 Basic Assessment.	34
5.7 Payment of Basic Assessment by Permanent Members and Developer.....	34
5.8 Special Assessments.	35
5.9 Personal Charges.	35
ARTICLE VI. ENFORCEMENT OF RESTRICTIONS	36
6.1 In General.	36
6.2 Certain Specific Enforcement Powers.	36
6.3 Subordination to Certain Security Interests.	38
ARTICLE VII. DAMAGE AND DESTRUCTION	38
7.1 Club Maintained Property.	38
ARTICLE VIII. ANNEXATION AND DEANNEXATION	39
8.1 Generally. Developer shall have, for the benefit of the Annexable Property:.....	39
8.2 Cooperation with the Association.	39
8.3 Annexation of Annexable Property.	39
8.4 Annexation Procedures	40
8.5 Deannexation	40
8.6 Deannexation Procedures	40
8.7 Effect of Deannexation	41
ARTICLE IX. DEVELOPER PROTECTION PROVISIONS	41
9.1 Generally.	41
9.2 Changes to Improvements.	41
9.3 No Detrimental Amendments.	41
ARTICLE X. MISCELLANEOUS PROVISIONS	41
10.1 Amendment.	41
10.2 Termination.	43
10.3 Notices.	44
10.4 Severability.	44
10.5 Successors.	44
10.6 Violation or Nuisance.	44
10.7 Interpretation.	45
10.8 No Waiver.	45
10.9 Sale of Lot 13; Right of First Refusal.	45
10.10 Permanent Membership Resales; Right of First Refusal.....	45

TABLE OF CONTENTS.....	i
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List of Exhibits

- A – Legal Description of Villas 15 and 16 and Annexable Property
- B – Villa Plan
- C – Schedule of Permanent Membership Numbers
- D – Use Week Calendar