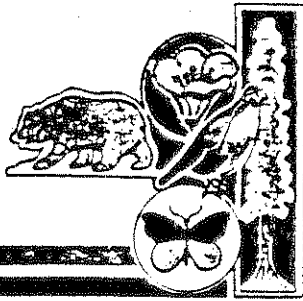


Vilamoura

ARTICLES AND BYLAWS

If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates State and Federal Fair Housing Laws and is void. Any person holding an interest in this property may request that the County Recorder remove the restrictive covenant language pursuant to subdivision (c) of Section 12956.1 of the Government Code.

Tritz Professional Management Services, Inc.



State of California

OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

FEB 21 1989



March Fong Eu

Secretary of State

ARTICLES OF INCORPORATION
OF
VILAMOURA AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION

FILED
In the Office of the Secretary of State
of the State of California

FEB 16 1999

ARTICLE I

MARCH FONG EU, Secretary

NAME

The name of this corporation shall be VILAMOURA AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION.

ARTICLE II

PURPOSES

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

(b) The specific and primary purpose for which this corporation is organized and operated is to provide for the acquisition, construction, management, maintenance and care of residential association property, for the general use, benefit and welfare of the owners of residential condominium units situated within that certain real property in the City of San Clemente, County of Orange, California, described as Tract No. 13182, known as Vilamoura. Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific

purpose of this corporation. The Association may also exercise the powers granted to a non-profit mutual benefit corporation as enumerated in Section 7140 of the Corporations Code. In addition, the Association may exercise the powers granted to the Association by Section 374 of the Code of Civil Procedure, and the powers granted to the Association in the Davis-Sterling Common Interest Development Act (Civil Code Section 1350, et seq.).

ARTICLE III

AGENT FOR SERVICE OF PROCESS

The name and address of the initial agent of this corporation for service of process is as follows:

David A. Phillips
119 N. Maple, Ste. A
Corona, CA 91720

ARTICLE IV

DIRECTORS

(a) The names and addresses of the persons who are appointed as first directors of this corporation are as follows:

<u>David A. Phillips</u>	<u>119 N. Maple, Ste. A</u> <u>Corona, CA 91720</u>
<u>Chuck Peck</u>	<u>119 N. Maple, Ste. A</u> <u>Corona, CA 91720</u>
<u>Greg Mendoza</u>	<u>119 N. Maple, Ste. A</u> <u>Corona, CA 91720</u>
<u>Mike Morey</u>	<u>119 N. Maple, Ste. A</u> <u>Corona, CA 91720</u>

Denis G. Cullumber

119 N. Maple, Ste. A
Corona, CA 91720

(b) Said directors, or any directors selected prior to the first annual election of the members of this corporation, shall act as such only until said first annual election, at which time the continuance of said directors, or any thereof, or the selection of any new director or directors, shall be determined in accordance with the By-Laws.

(c) The number of directors of this corporation shall be set forth in the By-Laws of this corporation, and such number may be changed by amendment to the By-Laws.

ARTICLE V

BY-LAWS

The different classes of membership in the corporation, if any, together with the respective voting and other rights and privileges of the two (2) classes of membership, shall be as set forth in the By-Laws of this corporation. The provisions for the elections and the term of office of the Board of Directors, and for the adoption, approval, and use by this corporation of membership certificates setting forth thereon the rights and privileges of said members, shall also be as set forth in the By-Laws of this corporation.

ARTICLE VI

AMENDMENT OF ARTICLES

Amendment of these Articles shall require the vote or written consent of (i) a majority of the Members of the Board of Directors; and (ii) a majority of the voting power of the corporation; and (iii) a majority of the voting power of members of this corporation other than the Declarant provided, however, if the two-class voting structure is still in effect as provided by the By-Laws of this corporation these Articles may not be amended without the vote or written assent of a majority of each class of membership.

IN WITNESS WHEREOF, for the purpose of forming this corporation, the undersigned, constituting the first directors, have executed these Articles of Incorporation this 15th day of February, 1989.

David A. Phillips
Charles L. Fink
H. Madon
W. Michael Dwyer
T. Brown

We declare that we are the persons who executed the above Articles of Incorporation, and that this instrument is our act and deed.

David A. Pulliam
Charles L. [unclear]
[unclear]
Michael [unclear]
[unclear]

BY-LAWS
OF
VILAMOURA AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION

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BY-LAWS

OF

VILAMOURA AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION

ARTICLE I

DEFINITIONS

All terms as used in these By-Laws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions for Tract No. 13182, recorded as Instrument No. _____ of Official Records of Orange County, California (the "Declaration") and any amendments thereto. All of the terms and provisions of the Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE II

PRINCIPAL OFFICE

Principal Office: The principal office for the transaction of the business of the Association is hereby fixed and located within the County of Orange, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said Orange County.

ARTICLE III

MEMBERS

Section 1. Membership. Every person or entity who is an Owner of a Unit shall be a Member of the Association as provided in the Declaration. Membership shall be appurtenant to and may not be separated from ownership in any Unit which gives rise to such membership in the Association. Ownership of such a Unit or interest therein shall be the sole qualification for membership. Transfer of a Unit shall automatically transfer membership in the Association and all rights of the transferor with respect to the Common Area. The provisions of these By-Laws which are binding upon all Members, are not exclusive, and Members shall also be subject to the terms and provisions of the Declaration, the Articles and Association Rules.

Section 2. Termination of Membership. Membership in the Association shall automatically terminate when such Member sells and transfers his Condominium.

Section 3. Voting Rights. The Association shall have the classes of voting membership as set forth in the Declaration. Class A Members shall be all Owners with the exception of Declarant (until the termination of the Class B membership). Each Class A Member shall be entitled to one (1) vote for each Unit owned. The Class B Member shall be the

Declarant. The Class B Member shall be entitled to three (3) votes for each Unit owned. The Class B membership shall terminate at the times as provided in the Declaration.

Section 4. Plural Memberships. A Member may not own more than one membership in the Association but a Member shall have the votes for each Unit owned as set forth in the Declaration.

Section 5. Assessments. The Members shall be jointly, severally and personally liable for the payment of such assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration. Should any Member fail to pay his assessments before delinquency, the Association, at the discretion of the Board, shall have the right to suspend the voting rights and easements of use and enjoyment of the Common Area of such Member, subject to the procedural safeguards established under Section 6 of this Article, for any period during which the payment of any such Member's assessments remains delinquent.

Section 6. Association Rules; Enforcement. The Board shall have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as a Reimbursement Assessment pursuant to the Declaration. Any such disciplinary action by the Board shall satisfy the minimum requirements of Section 7341 of the Corporations Code before a decision to impose disciplinary action is reached with respect to

the accused Member. In addition, said rules and regulations shall provide that no fine or penalty shall be levied without the following procedural safeguards:

(a) A written statement of the alleged violations shall be provided to any Member against whom such charges are made and such written statement shall provide a date on which the charges shall be heard;

(b) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least thirty (30) days prior to that hearing;

(c) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges;

(d) The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairman) who may or may not be Members and who shall hear the charges and evaluate the evidence of the alleged violation;

(e) At such hearing the Member so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;

(f) The panel shall deliver to the Member so charged within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor; and

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(g) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Place of Meetings. All meetings of Members shall be held at the Project or as close thereto as possible, or at such other place in the County of Orange as may be fixed from time to time by resolution of the Board. Unless unusual conditions exist, meetings of Members shall not be held outside of Orange County.

Section 2. Annual Meetings. The first annual meeting of the Members shall be held in Orange County within forty-five (45) days after the close of escrow representing the sale of fifty-one percent (51%) of the Units, or within six (6) months after the sale of the first Unit, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same month of each year thereafter, at such reasonable hour as may be established by the Board, in Orange County, provided, however, that the Board by resolution may fix a date for the meeting no more than thirty (30) days before or after said date. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. Control of the Project shall be turned over to the Association at the first annual meeting.

Section 3. Special Meetings. Special meetings of the Members shall be promptly called by the Board upon either (i) the vote of the Board or, (ii) written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Association.

Section 4. Notice of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice through first class mail, postage prepaid, to his address appearing on the books of the Association, or supplied by him to the Association for the purpose of notice. All such notices shall be sent to each Member entitled thereto not less than ten (10) days nor more than sixty (60) days before each meeting, and shall specify the place, the day and the hour of such meeting, and (i) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of regular meetings, those matters which the Board, at the time of giving the notice, intends to present for action by the Members. Any approval of the Members required under Sections 7222, 7224, 7233, 7812 or 8719 of the California Corporations Code, other than unanimous approval by those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of the meeting. When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary

to give any notice of an adjournment or of the business to be transacted at an adjourned meeting other than by announcement thereof at the meeting at which such adjournment is taken.

Section 5. Quorum. Except as provided in the Declaration pertaining to quorum requirements for increases in assessments, the presence at the meeting of Members of the Association entitled to cast, or of proxies entitled to cast fifty percent (50%) of the total voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these By-Laws. If any meeting cannot be held because a quorum is not present, a majority of the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. The quorum for an adjourned meeting shall be twenty-five percent (25%) of the total voting power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given in the manner prescribed for all meetings, annual or special. Except where a greater portion of the voting power is required by the Articles, the Declaration, or these By-Laws a majority of the voting power present, in person or by proxy, shall prevail at all meetings.

Section 6. Proxies. Every 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 Member or his duly authorized agent and filed with the Secretary of the Association. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the Member executing it prior to the vote pursuant thereto, or (ii) written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant thereto is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of any proxy shall not exceed three (3) years from the date of execution. Anything to the contrary notwithstanding, any revocable proxy covering matters requiring a vote of the Members pursuant to Sections 7222, 7224, 7233, 7613(f)(1), 7812, 7911(a)(2), 8012, 8015(a), 8610 or 8719(a) of the California Corporations Code is not valid as to such matters unless it sets forth the general nature of the matter to be voted on.

Section 7. Form of Proxies. Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in

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accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

Section 8. Action Without Meeting. Any action which may be taken by the vote of the Members at a regular or special meeting, except the election of members of the Board where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporations Code.

ARTICLE V
BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by a Board of five (5) directors, until such number of directors is changed by a by-law duly adopted by the Members amending this Section.

Section 2. Election. At the first annual meeting of the Association, the Members shall elect directors to fill all positions on the Board for a term of one (1) year; and at each annual meeting thereafter the Members shall elect directors for a term of one (1) year to succeed those directors whose terms have expired.

Section 3. Nomination of Directors. Nominations for the office of a member of the Board of Directors shall be made by a Nominating Committee consisting of a chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association, all of whom shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may also be made by Members from the floor at the annual meeting or such other meeting at which members of the Board of Directors are to be elected. Such nominations may be made from among Members or non-Members.

Section 4. Election Procedures. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting is required in all elections for the Board of Directors in which more than two positions are to be filled subject only to the procedural prerequisites to cumulative voting prescribed in Section 7615(b) of the Corporations Code. Notwithstanding anything to the contrary contained in these By-Laws, at least twenty percent (20%) of the Board but not less than one (1) Member shall be selected solely by the votes of Members other than the Declarant at any election so long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two outstanding classes of membership in the Association.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. However, unless the entire Board is removed from office by the vote of Members of the Association, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against removal would be sufficient to elect the director if voted cumulatively at an election at which the same number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Provided, however, that any member of the Board of Directors who has been

elected to office solely by the votes of Members of the Association other than the Declarant pursuant to Section 4 of this Article, may be removed from office prior to the expiration of his term of office only by the vote of a simple majority of the voting power residing in Members other than the Declarant. In the event of death or resignation of a director, his successor shall be elected by the remaining members of the Board and shall serve for the unexpired term of his predecessor; provided, however, in the event of death or resignation of a director elected solely by the Members other than Declarant pursuant to Section 4 of this Article, such director may be replaced solely by Members other than Declarant under the same procedure. In the event of removal of a director, his successor shall be elected by the Members of the Association.

Section 6. Vacancies. Vacancies on the Board, except vacancies arising from removal of a director, may be filled by a vote of a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any director. If the Members shall increase the authorized number of directors but shall fail to elect the additional directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized directors, a vacancy or vacancies shall be

deemed to exist. The Members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the By-Laws is voted authorizing an increase in the number of directors. If any director tenders his resignation to the Board, the Board shall have the power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such place and hour within the Property as may be fixed from time to time by resolution of the Board. However, such meetings may be conducted as infrequently as every six (6) months if the business to be transacted by the Board of Directors does not justify more frequent meetings. Notice of the time and place of each meeting shall be posted at a prominent place or places within the Common Area and shall be communicated to Board members not less than four (4) days prior to the meeting; provided, however, that notice of a meeting need not be given to any Board member who has signed a waiver of notice or written consent to the holding of the meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by written notice signed by the President of the Association, or by any two (2) directors other than the President, after not less than seventy-two (72) hours notice to each director. The notice shall specify the time

and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all members of the Board of Directors and posted in a manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided however that notice of the meeting need not be given to any Board member who signed a waiver of notice or a written consent to holding of the meeting.

Section 9. Quorum. A majority of the number of directors as fixed by the Articles or these By-Laws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board.

Section 10. Attendance of Meetings. Regular and special meetings of the Board of Directors shall be open to all Members of the Association; provided, however, that Association Members who are not on the governing body may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

Section 11. Adjournment of Meetings. The Board of Directors may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a

similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 12. Action Without Meeting. Any action which may be taken by the Board of Directors at a regular or special meeting may be taken without a meeting. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be given by the Board to Members of the Association within three days after all written consents have been obtained. This explanation shall be given in the manner prescribed herein for the giving of notice of regular meetings of the Board of Directors.

Section 13. Indemnification of Directors, Officers and Employees. The Association may, to the maximum extent permitted by Section 7237 of the California Corporations Code, reimburse, indemnify and hold harmless each present and future director, officer and employee of the Association and each person who, at the request of the Association acts as a director, officer or employee of any other corporation in which the Association has an interest, from and against all loss, cost, liability and expense which may be imposed upon or reasonably incurred by him, including reasonable settlement payments, in connection with any claim, action, suit or proceeding or threat thereof, made or instituted, in which he may be involved or be made a party by reason of his being or having been a director, officer or employee of the Association or such other corporation, or by reason of any action alleged to have been taken or omitted by him in such

capacity. The right of indemnification provided in this Section shall inure to each person referred to in this Section, whether or not the claim asserted against him is based on matters which arose in whole or in part prior to the adoption of this Section and in the event of his death shall extend to his legal representatives.

Section 14. Records. The Board shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of Members or at any special meeting where such statement is requested in writing by one-fourth (1/4) of the Members entitled to vote thereat.

ARTICLE VI
POWERS AND DUTIES OF DIRECTORS

Section 1. Powers. In addition to the powers and duties of the Board as set forth in the Declaration and the Articles, and subject to limitations of the Articles, the Declaration, or these By-Laws and of the California Corporations Code as to actions to be authorized or approved by the Members, and subject to the duties of the directors as prescribed by these By-Laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by the Board. Without prejudice to such general powers, but subject to the same limitations, the Board is vested with and shall have the following powers; to wit:

(a) to select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, the Articles, the Declaration and/or these By-Laws.

(b) to conduct, manage and control the affairs and business of the Association, and to enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and/or these By-Laws, as the Board may deem necessary or advisable.

(c) to fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes of this Association to which the

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assets of this Association shall be distributed upon liquidation or dissolution according to the Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association under the terms of a specific trust or trusts.

(d) to maintain the Project and the Common Area therein in accordance with the terms, covenants and conditions of the Declaration, but subject to the limitations on the power of the Board as specifically set forth in the Declaration.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution establish.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, and President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later

time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of any officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers shall be as follows:

(a) President. The President shall preside at all meetings of the Board of Directors and at all meetings of the Members; shall implement the orders and resolutions of the Board; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes of the Association.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of its Members; keep the corporate seal of the Association and affix it to all papers requiring such seal; keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses; and shall perform such other duties as may be required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; and shall keep proper books of account.

ARTICLE VIII

MISCELLANEOUS

Section 1. Record Owner. The record Owner of each Unit as of the date of any annual or special meeting of the Members shall be entitled to vote at any such meeting.

Section 2. 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 officer or officers or other person or persons and in such manner, from time to time, as shall be determined by resolution of the Board.

Section 3. Contracts, How Executed. The Board, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. The Board shall not enter into any contracts for goods or services with a duration greater than one (1) year without the vote or written consent of a majority of the total voting power of the Association, which shall include a majority of votes residing in Members other than the Declarant, with the following exceptions: (i) a management contract, the terms of which have

been approved by the Federal Housing Administration or Veterans Administration; (ii) a contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty and/or liability insurance policies of not to exceed three (3) years' duration, provided that the policy permits for short rate cancellation by the insured; (iv) a lease agreement for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; (v) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more; or (vi) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more. Any agreement for professional management of the Association or for services of the Declarant must provide that the management contract may be terminated by either party without

cause or payment of a termination fee upon thirty (30) days written notice and the term of such contract shall not exceed one (1) year.

Section 4. Inspection of By-Laws. The Association shall keep in its principal office for the transaction of business the original or a copy of the By-Laws as amended, certified by the Secretary, which shall be open to inspection by all of the Members at all reasonable times.

Section 5. Singular Includes Plural. Wherever the context of these By-Laws requires same, the singular shall include the plural, and the masculine shall include the feminine.

Section 6. Conflicts. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of a conflict between the Declaration and the By-Laws, the Declaration shall control.

ARTICLE IX
BOOKS AND RECORDS

Section 1. Inspection Rights of Members. The membership register, including mailing addresses and telephone numbers, books of account, records, papers, minutes of Member's meetings and Board of Directors' meetings and of committees of the Board of Directors of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member and the lender of any Owner of a Unit, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Property as the Board shall prescribe.

Section 2. Rules for Inspection. The Board of Directors shall establish reasonable rules with respect to the following:

(a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;

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

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

Section 3. Rights of Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the

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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.

ARTICLE X

AMENDMENTS

Section 1. Powers of Members. The By-Laws may be adopted, amended or repealed only by the vote or written assent of both (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) a majority of the total possible votes of Members other than Declarant. Notwithstanding the foregoing, if the two-class voting structure is still in effect, these By-Laws may not be amended without the vote or written assent of a majority of the voting power of each class of membership.

Section 2. Record of Amendments. Whenever an amendment or new By-Law is adopted it shall be placed in the book of By-Laws in the appropriate place. If any By-Law is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

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ARTICLE XI
CORPORATE SEAL

The Association shall have a seal in circular form
having within its circumference the words:

VILAMOURA AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION

INCORPORATED

California

1/11/89

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Vilamoura at Rancho San Clemente Homeowners Association, a California nonprofit mutual benefit corporation.

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the _____ day of _____, 1989.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this _____ day of _____, 1989.

Secretary

[SEAL]

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*VILAMOURA AT RANCHO SAN CLEMENTE HOMEOWNERS
ASSOCIATION*

AMENDMENT TO BYLAWS

RECITALS:

That members of Vilamoura at Rancho San Clemente Homeowners Association have deemed that it is in the best interest of the Association to change the term of the directors from one year to two years and to provide for staggered terms.

Article X, section 1 of the Bylaws provides that the Bylaws of the Association may be amended by the vote or written assent of both (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) a majority of the total possible votes of Members other than Declarant.

An election was held and the written vote of in excess of a majority of the voting power of the Association voted in favor of changing the term of the directors from one year to two years and to provide for staggered terms.

AMENDMENT:

Article V, section 2 of the Bylaws of Vilamoura at Rancho San Clemente Homeowners Association is amended to read, in its entirety, as follows:

Section 2 "Election. The directors of this Association shall serve for a term of two (2) years, with two directors elected in even-numbered years, and three (3) directors elected in odd numbered years, except that the election immediately following the adoption of this Amendment shall be an election of five members, three of whom shall serve for two years and the other two for one year. The determination of which directors shall serve for only one year shall be made by resolution of the elected Board Members. All directors shall be Owners of a Unit whose memberships are in good standing with all assessments current and not subject to any suspension of membership rights. Only one resident per Unit shall be eligible to serve on the Board at any time.

Article V, Section 4 is amended to read, in its entirety, as follows:

"Election Procedures. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The person receiving the largest number of votes shall be elected.

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Cumulative voting is required in all elections for the Board of Directors in which two or more positions are to be filled subject only to the procedural prerequisites to cumulative voting prescribed in Section 7615(b) of the Corporations Code.

CERTIFICATION OF SECRETARY

The undersigned hereby certifies:

1. That I am the duly elected and acting Secretary of Vilamoura at Rancho San Clemente Homeowners Association.
2. That the foregoing Bylaw amendment was approved by the required vote of the membership at a duly held election on _____ 2006.

Dated: _____

Secretary of Vilamoura at Rancho San
Clemente Homeowners Association