

BY-LAWS

OF

RAMS HILL COMMUNITY ASSOCIATION

A California Non-Profit Mutual Benefit Corporation

1. NAME AND LOCATION

The name of the association is RAMS HILL COMMUNITY ASSOCIATION (hereinafter referred to as the "Association"). The Association is organized under the California General Non-Profit Mutual Benefit Corporation Law. The principal office of the Association shall be located in the County of San Diego, State of California (hereinafter referred to as "said County").

2. DEFINITIONS

2.1 Declaration. The "Declaration" shall mean, collectively, the First Restated and Amended Master Declaration of Covenants, Conditions and Restrictions for the Rams Hill Community recorded with the Office of the County Recorder for San Diego County, California, on _____, 2005, under File/Page No. _____, and any amendments or supplements recorded or to be recorded pursuant thereto.

2.2 Other Definitions. Each and every definition set forth in Article 2 of the Declaration shall have the same meaning herein as therein, and each and every such definition is incorporated by reference herein and made a part hereof as if once again fully written and set forth at length hereat.

3. MEMBERSHIP; VOTING RIGHTS

3.1 The qualification for membership, the classes of membership and the voting rights of members shall be as set forth in Article 4 of the Declaration, all of which are hereby incorporated by reference herein as if set forth in full.

4. MEETINGS OF MEMBERS

4.1 Annual Meetings. The organizational meeting and the annual meetings of the members shall be held as described in the Declaration. All meetings of members shall be held in the Rams Hill Community, or at such other location in Borrego Springs, California, in reasonable proximity to the Property, as may be designated in the notice of meeting.

4.2 Special Meetings. Special meetings of the members may be called at any time by the president or by a majority of a quorum of the board, or upon written request of the members representing at least ten percent (10%) of the total voting power of the Association.

4.3 Notice of Meetings. Notice of all members meetings, annual or special, shall be given by mail or telegram and shall be given not less than ten (10) days nor more than sixty (60) days prior to the time of said meeting and shall set forth the place, date and hour of the meeting, and the nature of the business to be undertaken. Notices shall be given by, or at the direction of, the secretary or person authorized to call the meeting, and shall be transmitted to each member entitled to vote thereat addressed to such member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Mailed notices shall be deemed received forty-eight (48) hours after same are mailed by certified mail, return receipt requested; notice by telegram shall be deemed received twenty-four (24) hours after same are sent. Notices to members may also be personally delivered, and shall be deemed received upon delivery to any occupant of the member's residence.

4.4 Quorum. The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. If any meeting cannot be held because a quorum is not present, members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the quorum requirement shall be at least twenty-five (25%) of said total votes. Any meeting of members whereat a quorum is present may be adjourned for any reason to a time not less than forty-eight (48%) hours nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present thereat, either in person or by proxy.

4.5 Proxies. At all meetings of members each member may be present in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease when the ownership interest or interests of such member entitling him to membership in the Association ceases.

4.6 Order of Business. The order of business of all meetings of the members shall be as follows:

- 4.6.1 roll call;
- 4.6.2 proof of notice of meeting or waiver of notice;
- 4.6.3 reading of minutes of preceding meeting;
- 4.6.4 reports of board and officers;
- 4.6.5 election of directors, if any to be elected;
- 4.6.6 unfinished business; and
- 4.6.7 new business

4.7 Parliamentary Procedure. All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

4.8 Majority Vote. Except as otherwise provided herein or in the Declaration, the majority of the total voting power present, in person or by proxy, shall prevail at all meetings.

4.9 Action Without Meeting. Any action which may be taken at a meeting of the members may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote at a meeting for such purpose and filed with the secretary.

5. SELECTION AND TERM OF OFFICE OF BOARD

5.1 Number. The Rams Hill Board shall consist of between five (5) and seven (7) members. The initial Board after the filing of the Declaration shall consist of five (5) Rams Hill Directors as set forth in Section 4.5.3 of the Declaration, and the number may be increased pursuant to the procedures set forth in Section 4.5.1 of the Declaration..

5.2 Term of Office. The initial Board shall be selected in the manner set forth in the Declaration. At the expiration of the initial term of office of each director, his successor shall be elected to serve for a term of one (1) year.

5.3 Election; Removal; Vacancies. Election and removal of directors shall be as provided in the Declaration. In the event of the death, resignation or removal of a director, his successor shall be selected by the remaining members of the board and shall serve for the unexpired term of his predecessor.

5.4 Compensation. No director shall receive any compensation for all service he may render to the Association; provided, however, any director may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

6. NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination. Nomination for election to the Board shall be provided in the Declaration.

6.2 Election. Election to the board shall be by secret ballot. At such election, the members, or their proxies, may cast, in respect to each vacancy, as many votes as they are entitled to cast under the provisions of the Declaration (and subject to cumulative voting as therein described). The candidates receiving the highest number of votes shall be deemed elected.

7. MEETINGS OF DIRECTORS

7.1 Regular Meetings. Regular meetings of the board may be held monthly, and shall be held at least quarterly without notice at such place and hour as may be fixed from time to time by resolution of the board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of the time and place of any such meeting shall be posted at a prominent place or places within the common area.

7.2 Special Meetings. Special Meetings of the board shall be held when called by the president of the Association, or by any two (2) directors, after not less than ten (10) days prior notice to each director, which notice shall specify the time and place of the meeting and the nature of all special business to be considered. The notice shall be posted in the manner prescribed for notice of regular meetings not less than seventy-two hours prior to the scheduled time of the meeting.

7.3 Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business at a meeting of the board. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board.

7.4 Conduct of Meetings. Regular and special meetings of the board shall be open to all Owners and all members of the Association; provided, however, that Owners and Association 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. The board may, with the approval of a majority of a quorum of the members of the board, 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 or otherwise sensitive nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

7.5 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the board.

8. POWER AND DUTIES OF THE BOARD

8.1 Powers. The board shall have all the powers conferred upon the Association as set forth herein and in the Declaration, excepting only those powers expressly reserved to the members.

8.2 Duties. It shall be the duty of the board:

8.2.1 To cause to be kept a complete record of all of its acts and doings and to present a statement thereof to the members at each annual meeting of the members, or at any special meeting when such statement is requested in writing by members representing one-fourth (1/4) of the votes other than votes of Declarant;

8.2.2 To supervise all officers, agents and employees of the Association, and to see that their duties are properly performed; and

8.2.3 To delegate its powers as provided in the Declaration.

8.3 Standards for Rams Hill Directors and Officers. The Rams Hill Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents. In performing their duties, directors and officers shall act as fiduciaries and shall be insulated from liability as provided for directors of corporations under California law and as otherwise provided by the Governing Documents. Rams Hill Directors and officers shall discharge their duties as directors or officers, and as members of any committee to which they are appointed, in a manner that the Rams Hill Director or officer believes in good faith to be in the best interest of the corporation and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A Rams Hill Director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under California law. Neither California law nor general corporate principles impose *separate* fiduciary obligations on a director. The highest and broadest duties directors owe are those specifically set forth in these By-Laws, which are intended to be a restatement of California law.

8.4. Liability. A Rams Hill Director or officer shall not be personally liable to the Rams Hill Association, any Owner, or any other Person for any action taken or not taken as a director or officer if he or she has acted in accordance with this Section.

8.4.1 Volunteer officers and directors of the Rams Hill Association shall not be personally liable in excess of the coverage of insurance provided by the Rams Hill Association to any Person who suffers injury, including but not limited to, bodily injury, emotional distress, wrongful death, or property damage or loss as a result of his or her tortuous act or omission so long as the following requirements are met by the volunteer officer, director, and Rams Hill Association:

- (i) the director's or officer's act or omission was performed within the scope of their duties;
- (ii) the director's or officer's act or omission was performed in good faith;
- (iii) the director's or officer's act or omission was not willful, wanton, or grossly negligent; and
- (iv) the Rams Hill Association maintained and had in effect (at the time the act or omission of the director or other officer occurred and at the time a claim was made) one or more insurance policies that included coverage for general liability of the Rams Hill Association and individual liability of officers and directors for negligent acts or omissions in that capacity, both in the amount of at least \$1,000,000.

This subsection shall only apply to volunteer officers and directors that are either a tenant of a Unit or the Owner of no more than two Lots or Units in Rams Hill. The payment for actual expenses incurred in the execution of his or her duties shall not affect the status of an officer or director as a volunteer under this subsection. An officer or director who, at the time of the act or omission was receiving compensation directly or indirectly from the Declarant or from a financial institution who acquired a Lot or Unit at judicial or nonjudicial foreclosure shall not be considered a volunteer for purposes of this subsection.

8.4.2 Pursuant to the business judgment rule, a Rams Hill Director also shall not be personally liable for any action taken or not taken as a Rams Hill Director if the Rams Hill Director:

- (i) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires*;

- (ii) affirmatively undertakes to make decisions which the director reasonably believes are necessary for the Rams Hill Association's continued and successful operation and, when decisions are made, makes them on an informed basis;
- (iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Lot or Unit); and
- (iv) acts in a non-fraudulent manner and without reckless indifference to the Rams Hill Association's affairs.

8.4.3 The Rams Hill Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Rams Hill Association's behalf (except to the extent that such officers or directors may also be Owners).

8.5. Indemnification. Subject to the limitations of California law, the Rams Hill Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Rams Hill Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that the Rams Hill Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

- (a) brought by or in the right of the Rams Hill Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under California law; or
- (b) to the extent that the individual is adjudged liable for conduct that constitutes:
 - (i) appropriation, in violation of his or her duties, of any business opportunity of the Association; or
 - (ii) intentional misconduct or knowing violation of the law; or
 - (iii) an unlawful distribution to members, directors or officers; or
 - (iv) receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled.

9. OFFICERS AND THEIR DUTIES

9.1 Enumeration of Offices. The officers of the Association shall be a president and vice president, who shall at all times be members of the board, a secretary, and a treasurer, and such other officers as the board may from time to time by resolution create.

9.2 Election of Officers. The election of officers shall take place at the organizational meeting of the board and thereafter at each meeting of the board following each annual meeting of the members.

9.3 Term. The officers of this Association shall be elected annually by the board and each shall hold office for one year unless he shall sooner resign, or shall be removed, or shall otherwise be or become disqualified to serve.

9.4 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.

9.5 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, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specifies therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

9.6 Vacancies. A vacancy in any office may be filled by appointment by the board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.7 Multiple Offices. The offices of the secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 9.4 hereof.

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

9.8.1 President. The president shall preside at all meetings of the board, shall see that orders and resolutions of the board are carried out, shall sign all leases, mortgages, deeds and other written instruments, and shall co-sign all promissory notes.

9.8.2 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.

9.8.3 Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the board and of the members, shall serve notices of meetings of the board and of the members, shall keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the board.

9.8.4 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, shall sign all checks and promissory Notes of the Association, shall keep proper books of account, shall cause an annual operating statement reflecting income and expenditures of the Association for its fiscal year to be prepared and shall cause copies of said statement to be distributed to each member within sixty (60) days after the end of such fiscal year, and shall cause an annual budget to be prepared and presented to each member.

9.9 Compensation. No officer shall receive any compensation for any service he may render to the Association; provided, however, any officer may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

10. COMMITTEES

The board may appoint such committees as it deems appropriate to order to carry out its purpose.

11. ASSESSMENTS

Liability for Assessments; Collection. As more fully provided in Article 5 of the Declaration, each Owner is obliged to pay to the Association annual and special assessments to be collected as therein set forth, all of which are hereby incorporated by reference herein as if set forth in full.

12. AMENDMENTS

12.1 If Declarant is still entitled to three (3) votes for each Lot or Unit owned by Declarant or Builders, these by-laws may be amended only with the vote or written consent of Declarant and of members entitled to cast at least fifty-one (51%) of the voting power residing in members other than Declarant.

12.2 If Declarant is no longer entitled to three (3) votes for each Lot or Unit owned by Declarant or Builders, as provided in the Declaration, these by-laws may be amended only with the vote or written consent of members entitled to cast at least fifty-one percent (51%) of the voting power of the Association and of members other than the Declarant entitled to cast at least fifty-one percent (51%) of the voting power held by members other than the Declarant.

12.3 Notwithstanding Sections 1 and 2 of this Section 12, the percentage of the voting power of the Association or of members other than the Declarant necessary to amend a specific clause or provision in these by-laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

12.4 Notwithstanding any other provision in Section 12, the adoption of any amendment to these by-laws shall comply with the provisions of California Business and Professions Code Section 11018.7 to the extent that said section is applicable.

13. INSPECTION OF ASSOCIATION'S BOOKS AND RECORDS

13.1 The membership register, books of account and minutes of meetings of the members, of the governing body and of committees of the governing body of the Association, shall be made available for inspection and copying by any member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to such member's interest as a member of the Association, at the office of the Association or at such other place within the subdivision as the Board shall prescribe. The Board shall establish reasonable rules with respect to (i) notice to be given to the custodian of the records by the 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 member.

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

14. GENERAL PROVISIONS

14.1 Conflicting Provisions. In the case of any conflict between any provisions of the Declaration and these by-laws, the conflicting provisions of the Declaration shall control.

14.2 Fiscal Year. The fiscal year of the Association shall be a calendar year unless and until a different fiscal year is adopted by the members at a duly constituted meeting thereof.

14.3 Proof of Membership. No person shall exercise the rights of membership in the Association until satisfactory proof thereof has been furnished to the secretary. With respect to Declarant such proof may consist of a copy of proper grant deeds or title reports, and with respect to other members such proof may consist of a resolution of the appropriate Neighborhood Association stating that the person is the duly elected President of such Neighborhood Association.

14.4 Absentee Ballots. The board may make such provisions as it may consider necessary or desirable for absentee ballots.

14.5 Consent to Waiver of Notice. The transactions at any meeting of the board, however noticed, shall be as valid as though had at a meeting duly held after regular notice of a quorum be present and either before or after the meeting each director not present thereat signs a written waiver of notice or a consent to the

holding of such meeting or an approval of the true and correct minutes thereof. All such waivers, consents or approvals shall be filed with the records of the board and made a part of its minutes.

14.6 Reserves. Any amount collected by or paid to the Association in excess of operational needs shall be set aside as reserves for future financial needs in the manner set forth in the Declaration and shall be deposited into insured interest-bearing accounts. These sums may include amounts collected by Declarants from Owners through purchase escrows representing capital contribution by such Owners to the Association.