

**BY-LAWS OF
RANCHO HIGHLANDS COMMUNITY ASSOCIATION**

TABLE OF CONTENTS

ARTICLE I	NAME AND LOCATION.....1
	1. Name and Location.....1
ARTICLE II	DEFINITIONS.....1
	1. Definitions.....1
ARTICLE III	MEMBERSHIP AND VOTING RIGHTS.....2
	1. Membership.....2
	2. Voting Rights.....2
	3. Vesting of Voting Rights.....3
	4. Adjustment of Voting Rights.....3
	5. Transfer.....3
	6. Proxies.....3
ARTICLE IV	MEETINGS OF MEMBERS.....4
	1. Organizational and Annual Meetings.....4
	2. Special Meetings.....4
	3. Notice of Meetings.....5
	4. Quorum.....5
	5. Action Without Meeting.....5
	6. Meetings of the Members.....6
	7. Mortgagee Representation.....6
ARTICLE V	BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE.....7
	1. Number and Qualifications of Directors.....7
	2. Election and Term of Office.....7
	3. Removal.....8
	4. Vacancies.....8
	5. Compensation of Directors.....8
ARTICLE VI	NOMINATION AND ELECTION OF DIRECTORS.....9
	1. Nomination.....9
	2. Election.....9
	3. Special Voting Rights.....10
ARTICLE VII	MEETINGS OF DIRECTORS.....11
	1. Regular and Special Meetings.....11
	2. Meetings of Directors.....12
	3. Action Without Meeting.....12

	4. Conduct of Meetings.....	12
	5. Quorum.....	12
ARTICLE VIII	POWERS AND DUTIES OF THE BOARD OF DIRECTORS.....	13
	1. Powers.....	13
	2. Duties.....	15
ARTICLE IX	OFFICERS AND THEIR DUTIES.....	15
	1. Enumeration and Qualifications of Officers.....	15
	2. Election of Officers.....	15
	3. Term.....	15
	4. Special Appointments.....	15
	5. Resignation and Removal.....	16
	6. Vacancies.....	16
	7. Multiple Offices.....	16
	8. Duties.....	16
	9. Compensation of Officers.....	17
ARTICLE X	OBLIGATIONS OF MEMBERS.....	18
	1. Assessments.....	18
	2. Repair and Maintenance.....	18
ARTICLE XI	COMMITTEES.....	18
	1. Appointment of Committees.....	18
ARTICLE XII	INSPECTION OF BOOKS AND RECORDS.....	19
	1. Availability of Books and Records.....	19
	2. Rules Concerning Inspection.....	19
	3. Inspection by Directors.....	19
ARTICLE XIII	NOTICE AND HEARING.....	20
	1. Suspension of Privileges.....	20
	2. Notice to Member.....	20
	3. Hearing.....	20
ARTICLE XIV	AMENDMENTS.....	21
	1. Amendments to By-Laws.....	21
ARTICLE XV	CORPORATE SEAL.....	22
	1. Seal.....	22

ARTICLE XVI MISCELLANEOUS.....22

1. Fiscal Year.....22
2. Checks and Drafts.....22
3. Execution of Documents.....22
4. Dissolution.....22
5. Conflict.....23

BY-LAWS OF
RANCHO HIGHLANDS COMMUNITY ASSOCIATION

ARTICLE I

NAME AND LOCATION

Section 1. Name and Location. The name of the corporation is RANCHO HIGHLANDS COMMUNITY ASSOCIATION, hereinafter referred to as the "Community Association." The principal office of the Community Association shall be located at the Project in the unincorporated area of the County of Riverside, State of California.

ARTICLE II

DEFINITIONS

Section 1. Definitions. All terms as used in these By-Laws shall, unless stated otherwise, be defined as set forth in that certain "Amendment and Restatement of Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Rancho Highlands" recorded on January 7, 1987, as Instrument No. 003236 of the Official Records of Riverside County, California, and any amendments thereto. (Said Amendment and Restatement of Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements, and any amendments thereto, shall hereinafter be collectively referred to as the "Master Declaration.") All of the terms and provisions of the Master Declaration are hereby incorporated herein by reference.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every person or entity who or which is an Owner, as defined in the Master Declaration, shall be a Member of the Community Association. The foregoing is not intended to include persons or entities who hold an interest in any Lot or Condominium in the Project merely as security for the performance of an obligation.

Section 2. Voting Rights. The Community Association shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot or Condominium owned. When more than one (1) person holds an interest in any Lot or Condominium, all such persons shall be Members. The vote for such Lot or Condominium shall be exercised as they determine among themselves, but in no event shall more than one (1) vote be cast with respect to any Lot or Condominium.

Class B. The Class B Member shall be the Declarant, and shall be entitled to three (3) votes for each Lot or Condominium owned in the Project upon which Declarant is then paying the appropriate monthly Assessments provided for hereinbelow. Subject to the special Class B voting rights, as set forth in Article VI, Section 3, herein, the Class B membership shall cease and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) Two (2) years from the date of the original issuance of the most recent Final Subdivision Public Report by the DRE for the most recent Phase of the Project;

(b) Eight (8) years from the date of the first close of escrow for the sale of a Lot or Condominium in the first Phase of the Project; or

(c) December 31, 1994.

Any action by the Community Association which must have the approval of the membership of the Community Association before being undertaken shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A membership, so long as there are two (2) outstanding classes of membership, unless a specific provision of the Master Declaration or these By-Laws or the Articles of the Community Association requires the approval of a greater percentage of the voting membership.

Section 3. Vesting of Voting Rights. The voting rights attributable to any given Lot or Condominium in the Project as provided for herein shall not vest until the Assessments provided for in the Master Declaration have been levied by the Community Association against said Lot or Condominium.

Section 4. Adjustment of Voting Rights. The voting rights in the Community Association shall be adjusted upon the annexation of a subsequent Phase as provided for in the Master Declaration. Such adjustment shall become effective upon the first close of an escrow for the sale of a Lot or Condominium in such Phase.

Section 5. Transfer. The Community Association membership held by any Owner of a Lot or Condominium shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Lot or Condominium, and the membership shall be automatically transferred upon the sale of such Lot or Condominium. In the event of such sale, the Community Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot or Condominium, or to the Mortgagee (or third-party purchaser) of such Lot or Condominium upon a foreclosure sale, deed in lieu or other remedy set forth in the Mortgage. Any attempt to make a prohibited transfer is void and will not be reflected in the books and records of the Community Association.

Section 6. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the ap-

pointed time for each meeting. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (a) the conveyance by the Owner of his Lot or Condominium; (b) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of issuance of the proxy; or (c) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Organizational and Annual Meetings. Regular meetings of Members of the Community Association shall be held not less frequently than once each calendar year at the time and place prescribed by these By-Laws. The first meeting of the Community Association, whether a regular or special meeting, shall be held within forty-five (45) days after the closing of the sale of the Lot or Condominium which represents the fifty-first (51st) percentile interest authorized for sale under the original Final Subdivision Public Report for the first Phase of this Project, but in no event shall the meeting be held later than six (6) months after the closing of the sale of the first Lot or Condominium. At such meetings, there shall be elected by ballot of the Members a Board in accordance with the requirements of the Article herein entitled "Nomination and Election of Directors." The Members may also transact such other business of the Community Association as may properly come before them.

Section 2. Special Meetings. A special meeting of the Members of the Community Association shall be promptly called by the Board upon:

(a) The vote for such meeting by a majority of a quorum of the Board; or

(b) Receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Community Association.

No business shall be transacted at a special meeting except as stated in the notice, unless by consent of a quorum of the Owners present, either in person or by proxy.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by mailing a copy of such notice by first class mail, postage prepaid. Except in emergency situations, not less than ten (10) days nor more than ninety (90) days notice of any meeting at which Members are required or permitted to take action shall be provided to each Member, addressed to the Member's address last appearing on the books of the Community Association or supplied by such Member to the Community Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken at the meeting.

Section 4. Quorum. The presence, in person or by proxy, of Owners holding at least fifty-one percent (51%) of the voting power of the Community Association shall constitute a quorum for the transaction of business at all meetings. In the absence of a quorum at a Members' meeting, a majority of those present, in person or by proxy, may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. The quorum for such a meeting shall be at least twenty-five percent (25%) of the total voting power of the Community Association present, in person or by proxy. 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 to Members in the manner prescribed for regular meetings.

Section 5. Action Without Meeting. Any action which may be taken by the vote of Members at any regular or special

meeting, except the election of Directors where cumulative voting is a requirement, may be taken without a meeting if the Community Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Community Association, pursuant to Section 7513 of the California Corporations Code. All such written ballots shall be filed with the Secretary of the Community Association and maintained in the corporate records. Approval by written ballot pursuant to this Section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and 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 votes cast by ballot. All solicitations of ballots shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation shall specify the time by which the ballot must be received in order to be counted. A written ballot may not be revoked. Directors may not be elected by written ballot under this Section.

Section 6. Meetings of the Members. The meetings of the Members shall be held at the Project or as close thereto within the County as may be designated by the Board.

Section 7. Mortgagee Representation. First Mortgagees shall have the right to attend all meetings of Members through a representative designated in writing and delivered to the Board.

ARTICLE V

BOARD OF DIRECTORS:

SELECTION, TERM OF OFFICE

Section 1. Number and Qualifications of Directors.

The Board shall consist initially of three (3) Directors. Upon the earlier of: (a) the next annual meeting following the close of escrow for the sale of the three hundredth (300th) Lot or Condominium in the Project; or (b) the next annual meeting following the termination of Class B membership, as set forth herein and in the Master Declaration, the number of Directors serving on the Board shall be increased to five (5) Directors. With the exception for those persons appointed as first Directors, the Board shall consist of either Owners of Lots or Condominiums in the Project, or agents of Declarant, for so long as Declarant owns a Lot or Condominium in the Annexation Property. Thereafter, the Board shall consist only of Members who are in good standing with the Community Association. The authorized number of Directors may be changed by a duly adopted amendment to the By-Laws.

Section 2. Election and Term of Office. At the first annual meeting of the Community Association, the Members shall elect the Directors in accordance with the provisions set forth herein. So long as there are three (3) Directors, the three (3) candidates receiving the highest number of votes shall be elected Directors to serve a term of two (2) years. At the annual meeting at which the two (2) additional Directors are elected, the three (3) candidates receiving the highest number of votes shall each be elected Directors for a term of two (2) years, and the two (2) candidates receiving the next highest number of votes shall each be elected Directors for a term of one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by resignations or expiration of the terms of past Directors. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms which a Director may serve.

Section 3. Removal. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed, with or without cause, as provided herein, and a successor may then and there be elected to fill the vacancy so created. Unless the entire Board is removed from office by the vote of Community Association Members, an individual Director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Director were then being elected. A Director who has been elected to office solely by the votes of Members of the Community Association, other than the Declarant, may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members, other than the Declarant.

Section 4. Vacancies. Vacancies on the Board caused by any reason, other than the removal of a Director by a vote of the Community Association, shall be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum, and each Director so elected shall serve until a successor is elected at the next annual meeting of the Community Association. In the event that a majority of the remaining Directors are unable to agree upon a successor within fifteen (15) days following the occurrence of a vacancy, a special election to fill the vacancy shall then be held in accordance with the terms provided in the Article herein entitled "Nomination and Election of Directors," within not less than ten (10) days nor more than thirty (30) days following the expiration of said fifteen (15) day period. Notice of a special meeting and election shall be given in accordance with the terms provided in the Article herein entitled "Nomination and Election of Directors."

Section 5. Compensation of Directors. No Director shall receive compensation for any service he may render to the

Community Association, except as permitted under the Article contained in the Master Declaration entitled "Powers and Duties of the Community Association"; provided, however, that a Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members of the Community Association. The Nominating Committee shall be appointed by the Board 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, and such appointment shall be announced at each meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Nominations may be made from among Members or non-Members, so long as the Class B membership exists. Thereafter, nominations shall only be made from among Members.

Section 2. Election. Election to the Board shall be by secret written ballot. At such election, the Members may cast, with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Master Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is required for all elections in which two (2) or more positions are to be filled; provided, however, that all cumulative voting hereunder shall comply with the procedural prerequisites of California Corporations Code, Section 7615(b), which provides that no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's or candidates' names have been placed in nomination prior to the voting

and a Member has given notice at the meeting prior to the voting of said Member's intention to cumulate votes. If any one (1) Member has given such notice, all Members (including Declarant) shall have the right to cumulate votes and give one (1) candidate, or divide among any number of candidates, a number of votes equal to the total number of votes to which said Member is entitled to vote upon other matters multiplied by the number of Directors to be elected.

Section 3. Special Voting Rights. Notwithstanding any other provision herein, from the first election of the Board and so long as there are two (2) classes of membership outstanding in the Community Association, the Members, other than Declarant, shall be entitled to elect not less than twenty percent (20%) of the total number of Directors of the Board. Any Owner, with the exception of Declarant or a Merchant Builder, or their respective agents, shall be an eligible candidate for the special election. Declarant shall be entitled to elect not less than a majority of the total number of Directors until the fourth (4th) anniversary of the first close of escrow for the sale of a Lot or Condominium in the first Phase of the Project.

ARTICLE VII

MEETINGS OF DIRECTORS

Section 1. Regular and Special Meetings. Regular meetings of the Board shall be held monthly, and on such day and at such hour as may be fixed, from time to time, by resolution of the Board. Should said 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 a regular meeting shall be posted at a prominent place or places within the Common Area, and shall be communicated to the Directors not less than four (4) days prior to the meeting, unless the time and place of the meeting is fixed by the Directors and duly adopted herein; provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. Special meetings of the Board shall be held when called by the President of the Community Association or by two (2) Directors, other than the President, after not less than three (3) days' notice to each Director. The notice shall specify the time and place of the meeting and the nature of any special business to be transacted. Notice of a special meeting shall be posted as prescribed for notice of regular meetings, and shall be sent to all Directors 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 Director who has signed a waiver of notice or a written consent to holding of the meeting. Regular and special meetings of the Board shall be open to all Members of the Community Association; provided, however, that Community 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 quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Community 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 2. Meetings of Directors. The meetings of the Directors shall be held at the Project or as close thereto in the County as possible as may be designated by the Board.

Section 3. Action Without Meeting. The Board may take any action without a meeting if all members of the Board unanimously consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take any such action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consent of all Directors has been obtained.

Section 4. Conduct of Meetings. At the first meeting of the Board, a majority of a quorum of the Directors shall elect a President to preside over all meetings of the Board held during the Board's term of office. In the event the President shall be absent from any meeting, said meeting shall be presided over by the Vice President or such other officer as may be present. The Secretary of the Community Association shall act as Secretary of the Board, but in the event the Secretary shall be absent, the President or presiding officer may appoint any person to act as Secretary for the meeting.

Section 5. Quorum. A majority of the total number of Directors shall constitute a quorum for the transaction of business. 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.

ARTICLE VIII
POWERS AND DUTIES OF THE
BOARD OF DIRECTORS

Section 1. Powers. The Board, for and on behalf of the Community Association, shall have the right and power to do all things necessary to conduct, manage and control the affairs and business of the Community Association. Subject to the provisions of the Articles, the Master Declaration and these By-Laws, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations, and shall have the following specific powers:

(a) Enforce the provisions of the Master Declaration and all contracts or any agreements to which the Community Association is a party;

(b) Acquire title, manage, maintain, repair and replace all Common Area and Community Association Maintenance Areas, and Improvements located thereon, including all personal property, in a neat, clean, safe and attractive condition at all times, and to pay all utilities, gardening and other necessary services for the Common Area and Community Association Maintenance Areas, all as more specifically set forth in the Master Declaration;

(c) Delegate and transfer to the CSA such maintenance obligations and necessary easements for access, ingress and egress as may be necessary to accomplish its obligations;

(d) Obtain, for the benefit of the Common Area and Community Association Maintenance Areas, all commonly metered water, gas and electric services, and may provide for refuse collection and cable (or master antenna) television service;

(e) Grant easements or licenses, where necessary, for utilities and sewer facilities over, on and across the Common Area and Community Association Maintenance Areas to serve the Project;

(f) Grant nonexclusive easements over the Common Area and Community Association Maintenance Areas in favor of all Sub-Associations for the express purpose of permitting such Sub-Associations to perform their maintenance responsibilities pursuant to any Additional Declaration recorded by the Declarant or any Merchant Builder;

(g) Levy and collect Assessments on the Owners of all Lots or Condominiums in the Project in which Assessments have commenced, and enforce payment of such Assessments in accordance with the terms and provisions set forth in the Master Declaration;

(h) Pay all taxes and special assessments which would be a lien upon the entire Project or the Common Area and Community Association Maintenance Areas, and to discharge any lien or encumbrance levied against the entire Project, the Common Area or the Community Association Maintenance Areas;

(i) Pay for reconstruction of any portion of the Common Area and Community Association Maintenance Areas damaged or destroyed;

(j) Employ and retain a professional manager and/or management company to perform all or any portion of the duties and responsibilities of the Board with respect to administration of the Community Association;

(k) Retain, if deemed appropriate by the Board, and pay for legal and accounting services necessary and proper for the efficient operation of the Community Association, enforcement of the Master Declaration, Rules and Regulations and Architectural Standards, or in performing any other duties or enforcing any other rights of the Community Association;

(l) Contract with Declarant, its successors or assigns, for the purpose of entry into a maintenance and/or subsidy agreement, made by and between Declarant and/or a Merchant Builder and the Community Association, for the pur-

pose of reducing the financial obligations of Owners in the Project during the development of the Project; and

(m) Enter into any Lot or Condominium when necessary in connection with maintenance or construction for which the Community Association is responsible;

(n) Perform any and all other acts and things that a nonprofit, mutual benefit corporation organized under the laws of the State of California is empowered to do, which may be necessary, convenient or appropriate in the administration of its affairs for the specific purposes of meeting its duties as set forth in the Master Declaration.

Section 2. Duties. The Board shall perform and execute, for and on behalf of the Community Association, all of the duties which have been delegated to the Community Association as set forth in the Article entitled "Powers and Duties of the Community Association" in the Master Declaration.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration and Qualifications of Officers. The officers of this Community Association shall be a President, Vice President, Secretary and a Treasurer. Said officers shall consist only of Members in good standing of the Community Association. Any Member serving as a Director of the Community Association may simultaneously serve as an officer thereof.

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

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

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Community 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 at any time, with or without cause, by a majority of 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 such 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 by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the 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 (1) of any of the other offices, except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. Duties of the officers are as follows:

(a) President: The President shall preside at all meetings of the Members of the Community Association; shall see that orders and resolutions of the Board are carried out; shall co-sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and promissory notes; provided, however, that the authority to co-sign all checks is assignable to a manager for the Project.

(b) Vice President: The Vice President shall act in the place and stead of the President in the event of the President's 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; shall co-sign all contracts, leases or other instruments executed in the name of or on behalf of the Community Association; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Community Association, together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Community Association and shall disburse such funds as directed by resolution of the Board; shall co-sign all checks and promissory notes of the Community Association; provided, however, that the authority to co-sign all checks is assignable to a manager for the Project; keep proper books of account; cause an annual audit of the Community Association books to be made by a certified public accountant at the completion of each fiscal year as provided for in the Master Declaration, and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Section 9. Compensation of Officers. No officer shall receive any compensation for services performed to the Community Association, except as permitted under the Article contained in the Master Declaration entitled "Powers and Duties of the Community Association"; provided, however, that an officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE X

OBLIGATIONS OF MEMBERS

Section 1. Assessments. All Members are obligated to pay, in accordance with the provisions of the Master Declaration, all Assessments imposed by the Community Association to meet all expenses of the Community Association. All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the Master Declaration.

Section 2. Repair and Maintenance. Every Member shall be responsible, at his sole cost and expense, for all repair and maintenance work on his Lot or Condominium, as required in the Article of the Master Declaration entitled "Repair and Maintenance."

ARTICLE XI

COMMITTEES

Section 1. Appointment of Committees. The Community Association shall appoint an Architectural Control Committee, as provided in the Master Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purposes.

ARTICLE XII

INSPECTION OF BOOKS AND RECORDS

Section 1. Availability of Books and Records. The membership register, books of account and minutes of meetings of the Members, of the Board and of any and all committees shall be made available for inspection and copying by any Member of the Community Association, or by his duly-appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Community Association or at such other place within the Project as the Board shall prescribe.

Section 2. Rules Concerning Inspection. The Board shall establish reasonable rules with respect to:

(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; and

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

Section 3. Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Community Association, and the physical properties owned or controlled by the Community Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE XIII

NOTICE AND HEARING

Section 1. Suspension of Privileges. In the event of an alleged violation of the Master Declaration, these By-Laws or the Rules and Regulations of the Community Association, and after written notice of such allegation, as provided below, the Board shall have the right, after conducting a hearing on the matter, as provided below, to discipline any Member by taking any one (1) or more of the following actions: (a) levying a Compliance Assessment as provided in the Master Declaration; (b) suspending or conditioning the right of said Member to use any Common Area owned or operated by the Community Association; or (c) suspending said Member's voting privileges. Any such suspension shall be for a period of time not exceeding thirty (30) days for any noncontinuing violation, but in the case of a continuing violation, including, without limitation, the nonpayment of Assessments which have become delinquent, such suspension may be imposed so long as the violation continues.

Section 2. Notice to Member. Written notice of the alleged violation shall be delivered personally or mailed to the Member by first class or registered mail, return receipt requested, at least fifteen (15) days before the proposed hearing on said alleged violation. Said notice shall contain: (a) an explanation in clear and concise terms of the nature of the alleged violation; (b) a reference to provisions of the Master Declaration, the Rules and Regulations or these By-Laws which said Member is alleged to have violated; and (c) the time and place for the hearing.

Section 3. Hearing. The hearing shall be conducted by the Board, in executive session, who shall hear the charges and evaluate the evidence concerning the alleged violation. At the hearing, said Member shall have the right to present oral or written evidence concerning the alleged violation. The Board shall render its decision concerning the alleged violation to said Member not less than five (5) days after the hearing, and

shall provide a written explanation of the suspension, fine or conditions, if any, imposed by the Board.

ARTICLE XIV

AMENDMENTS

Section 1. Amendments to By-Laws. So long as the two-class voting structure provided for herein shall remain in effect, these By-Laws may be amended only by the vote or written assent of fifty-one percent (51%) of the voting power of each class of Members. In addition, so long as Class B membership exists, any amendment to these By-Laws shall be reviewed and approved by the Veterans Administration. At such time as the Class B membership shall cease and be converted to Class A membership, amendments to these By-Laws shall be enacted by requiring the vote or written assent of:

(a) Fifty-one percent (51%) of the total voting power of the Community Association; and

(b) Fifty-one percent (51%) of the votes of Members, other than the Declarant.

Notwithstanding the foregoing, the percentage of a quorum of the Members or of the votes of Members, other than the Declarant, necessary to amend a specific provision in these By-Laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under said provision.

ARTICLE XV
CORPORATE SEAL

Section 1. Seal. The Community Association shall have a seal in circular form having within its circumference the words: RANCHO HIGHLANDS COMMUNITY ASSOCIATION

ARTICLE XVI
MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Community Association shall be determined by the Board, and having been so determined, is subject to change, from time to time, as the Board shall determine.

Section 2. Checks and Drafts. All checks, drafts or other order for payments of money, notes or other evidences of indebtedness issued in the name of or payable to the Community Association shall be signed or endorsed by the President and Treasurer, or in such manner as, from time to time, shall be determined by resolution of the Board.

Section 3. Execution of Documents. The Board 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 Community 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 Community Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or in any amount.

Section 4. Dissolution. Any dissolution of the Community Association shall require the approval of the Board and the vote or written consent of both: (a) individual Members exercising at least a majority of the total voting power of the Community Association, and (b) individual Members exercising at least a majority of the voting power of the Community Association residing in Members, other than Declarant. Upon the winding-up

and dissolution of the Community Association, after paying or adequately providing for the debts and obligations of the Community Association, the remaining assets shall be distributed to an appropriate public agency or any nonprofit corporation, association or trust, to be used for purposes similar to those for which the Community Association was created.

Section 5. Conflict. In the case of any conflict between the Articles and these By-Laws, the Articles shall control, and in the case of any conflict between the Master Declaration and these By-Laws, the Master Declaration shall control.

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UNANIMOUS CONSENT OF THE BOARD OF
DIRECTORS OF
RANCHO HIGHLANDS COMMUNITY ASSOCIATION

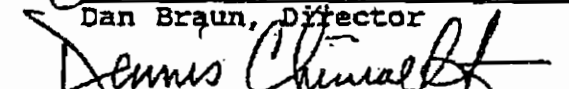
We, Dan Braun, Dennis Chiniaeff and Mike Walsh are the members of, and together constitute, the Board of Directors of Rancho Highlands Community Association and by this writing approve the following resolutions and consent to its adoption:

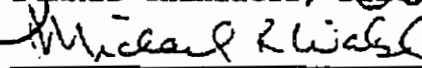
RESOLVED: That the Bylaws attached hereto are approved and accepted as the Bylaws of this corporation and the Secretary of the corporation is directed to insert this consent and a copy of the Bylaws in the minute book of the corporation.

This consent is executed pursuant to subdivision (b) of the Section 307 of the California Corporations Code and is to be filed with the minutes of the Board proceedings.

Executed as of December 3, 1986.


Dan Braun, Director


Dennis Chiniaeff, Director


Mike Walsh, Director

RECEIVED

JAN 21 1987

Equity Management

