

ARTICLE XIII  
CORPORATE SEAL

Section 1.      Seal.      The Master Association shall have a seal in circular form having within its circumference the words: QUAIL HILL COMMUNITY ASSOCIATION.

ARTICLE XIV  
MISCELLANEOUS

Section 1.      Director and Officer Liability.      In accordance with the provisions of Section 1365.7 of the California Civil Code, as amended from time to time, a volunteer officer or volunteer Director shall not be personally liable in excess of the insurance coverage specified in the Master Declaration 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 the tortious act or omission of a volunteer officer or volunteer Director of the Master Association if all of the following criteria are met:

(a)      The act or omission was performed within the scope of the officer's or Director's Master Association duties (including, but not limited to, decisions whether to conduct an investigation of the Community for latent deficiencies prior to the expiration of the applicable statute of limitations, and/or whether to commence a civil action against the builder for defects in design or construction);

(b)      The act or omission was performed in good faith.

(c)      The act or omission was not willful, wanton or grossly negligent.

(d)      The Master Association maintained and had in effect at the time the act or omission occurred and at the time claim is

made one or more policies of insurance which include coverage for general liability insurance and for individual liability of officers and directors of the Master Association for negligent acts or omissions in that capacity; provided that both types of coverage are in the following minimum amounts:

(i) At least five hundred thousand dollars (\$500,000) if the Community consists of 100 or fewer Lots and/or Condominiums;

(ii) At least one million dollars (\$1,000,000) if the Community consists of more than 100 Lots and/or Condominiums.

The payment of actual expenses incurred by a Director or officer in the execution of the duties of that position does not affect the Director's or officer's status as a volunteer within the meaning of this Section. An officer or Director who at the time of the act or omission received either direct or indirect compensation as an employee from Declarant, or from a financial institution that purchased a Lot or Condominium at a judicial or nonjudicial foreclosure of a Mortgage is not a volunteer for the purposes of this Section.

Nothing in this Section shall be construed to limit the liability of the Master Association for its negligent acts or omissions or for any negligent act or omission of any officer or Director of the Master Association.

This section shall only apply to a volunteer officer or Director who resides in the Community either as a tenant or as an Owner of no more than two Lots and/or Condominiums in the Community.

Section 2. Indemnification of Directors and Officers.

To the maximum extent permitted by law, the Master Association shall defend, indemnify and hold harmless all Directors, officers, employees and "agents" (as defined in Section 7237 of the

California Corporations Code) of the Master Association (collectively the "Master Association Representatives"), from and against all claims, costs, expenses and other liability which may be imposed upon or reasonably incurred by a Master Association Representative (including reasonable settlement payment), in connection with any claim, action, suit or proceeding, or threat thereof, made or instituted, in which such Master Association Representative may be involved or be made a party by reason of being or having been a Master Association Representative or by any action alleged to have been taken or omitted by such Master Association Representative whether or not the claim asserted is based on matters which arose in whole or in part prior to the adoption of this Section. In the event of the death of the Master Association Representative, the defense and indemnification provided by the Master Association shall extend to the legal representatives of such person. The right of indemnification provided in this Section shall not be exclusive of any other rights to which any person may be entitled as a matter of law, under any agreement or otherwise.

Section 3. Fiscal Year. The fiscal year of the Master 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 4. Checks and Drafts. Except as provided herein or in the Article in the Master Declaration entitled "Powers and Duties of the Master Association," 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 Master Association shall be signed or endorsed by the President and Treasurer.

Section 5. Execution of Documents. The Board may authorize any officer(s), agent(s), or employee(s) to enter into any

contract or execute any instrument in the name and on behalf of the Master Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Master Association by any contract or engagement, to pledge its credit, or to render it liable for any purpose or in any amount.

Section 6.      Dissolution.      Any dissolution of the Master Association shall require the approval of the Board and approval consent of both: (a) Delegates casting affirmative votes on behalf of at least sixty-seven percent (67%) of the total voting power of the Master Association, and (b) Delegates casting affirmative votes on behalf of at least sixty-seven percent (67%) of the voting power of the Master Association residing in Members other than Declarant and the Merchant Builders. Upon the winding-up and dissolution of the Master Association, after paying or adequately providing for the debts and obligations of the Master 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 Master Association was created.

Section 7.      Conflict.      In the case of any conflict between the Articles and these ByLaws, the Articles shall control, and in the case of any conflict between the Master Declaration and these ByLaws, the Master Declaration shall control.

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