

Declaration or in these ByLaws, any action which may be taken by the Master Association may be taken by Delegates casting affirmative votes or giving written consent on behalf of a majority of the total voting power of the Master Association.

Section 4. Vesting of Voting Rights. The voting rights attributable to a Lot or Condominium in the Community shall not vest until the Assessments provided for in the Master Declaration have been levied by the Master Association against said Lot or Condominium.

Section 5. Transfer. The Master 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 Master 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 Master Association.

ARTICLE IV

MEETINGS OF THE MASTER ASSOCIATION

Section 1. Organization and Annual Meetings of the Master Association. Regular meetings of Master Association shall be held not less frequently than once each calendar year at the time and place prescribed by these ByLaws. The first meeting of the Master Association, whether a regular or special meeting, shall be held not later than six (6) months after the first Close of

Escrow for the sale of a Lot or Condominium in the Community. Thereafter, the annual meeting of the Master Association shall be held on or about the anniversary date of the first annual meeting. All Members of the Master Association may attend (and each first Mortgagee may designate a representative to attend) the meetings of the Master Association (to the extent of the permissible capacity of the meeting room), but may not participate in the voting by the Delegates.

Section 2. Special Meetings of the Master Association. The Secretary shall call a special meeting of the Master Association upon: (a) a vote by a majority of a quorum of the Board of Directors to call a special meeting; (b) receipt of a petition signed by Delegates representing at least five percent (5%) of the total voting power of the Master Association; (c) the rejection by the Board of Directors of a settlement offer as referenced in California Civil Code Section 1375; or (d) any vote by a majority of a quorum of the Board of Directors to commence an action for damages pursuant to Section 1375 of the California Civil Code.

The notice of any special meeting shall be given within five (5) days after such action by the Board or receipt of such petition and shall state the time and place of the meeting, the purpose thereof and any information required by law or by the Master Declaration. The special meeting shall normally be held not less than thirty-five (35) days or more than ninety (90) days after such action by the Board or receipt of the petition, provided however, in all events a special meeting of the Master Association shall be held after the meetings of Members of the Delegate Districts have been held in order to enable the Members to give direction to their respective Delegate. No business shall be transacted at a special meeting except as stated in the notice. All Members of the Master Association may attend (and each first

Mortgagee may designate a representative to attend) all special meetings of the Delegates, but may not participate in the voting by the Delegates.

Section 3. Notice of Meetings. Written notice of each annual meeting and of each special meeting shall be given by, or at the direction of, the Secretary of the Master Association by mailing a copy of such notice by first-class mail, postage prepaid, and/or by any other means approved by the Board which is reasonably calculated to give Notice of such meeting (e.g., transmission by facsimile or e-mail). Except in emergency situations, not less than thirty (30) days nor more than ninety (90) days notice of any meeting shall be given. The notice shall specify the day, hour and place where the meeting is to be held and those matters which the Board, at the time of the notice, intends to present for action by the Delegates, if any, but except as otherwise provided by law, any proper matter may be presented at the meeting for action. The notice shall be sent to: (1) all Delegates (and Alternate Delegates) of record, (2) all Members of the Master Association, and (3) each Eligible Mortgage Holder. A reasonable time limit for Delegates and for Members to speak shall be established by the Board. The notice of any meeting at which Directors are to be elected shall include the names of all nominees. Notice given in the manner provided in this Section, shall be considered served forty-eight (48) hours after the notice was deposited in a regular depository of the United States mail or was electronically transmitted. In all cases, notice shall also be posted in a conspicuous place in the Community, and the notice shall be deemed served upon any Member by posting if no address for such Member has been furnished to the Secretary.

Section 4. Special Notice Requirements. Approval by the Delegates of any of the following proposals, other than by unanimous approval of those Delegates entitled to vote, shall not

be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (a) removing a Director without cause;
- (b) holding a special meeting to fill one or more vacancies on the Board;
- (c) amending the Articles;
- (d) approving a contract or transaction between the Master Association and any entity in which a Director has a material financial interest;
- (e) electing to wind up and dissolve the Master Association;
- (f) approving a plan of distribution of assets, other than money, not in accordance with the liquidation rights of any class of Members (applicable only if the Master Association is in the process of winding up and there is more than one class of membership outstanding at the time).

Section 5. Waiver of Notice. All transactions at any meeting of the Master Association which was not properly noticed shall be as valid as though taken at a meeting duly held after proper notice, if (1) a quorum (as defined hereinbelow) was present, and (2) either before or after the meeting, each Delegate who was entitled to vote but who was not present in person, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent or approval need not specify either the business to be transacted or the purpose of any meeting, except that if action is taken or proposed to be taken for approval of any of those matters specified in the preceding Section 4, the waiver of notice, consent or approval shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a Delegate at a meeting shall constitute a waiver of notice, unless the Delegate objects at the beginning of the meeting to the transaction of any business because the meeting has not been properly called or noticed. However, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 6. Quorum. Except as otherwise provided in these ByLaws or the Master Declaration, the presence in person of Delegates representing at least fifty-one percent (51%) of the total voting power of the Master Association shall constitute a quorum for the transaction of business. The Delegates present at a duly called meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Delegates to leave less than a quorum. In the initial absence of a quorum, those Delegates who represent a majority of the Members represented may adjourn the meeting to another time not less than five (5) days nor more than thirty (30) days from the date of the original meeting. If the time and place of the adjourned meeting are announced prior to the adjournment of the original meeting, no notice of the adjourned meeting is required, provided that if a new date is fixed for the adjourned meeting after the adjournment of the original meeting, notice of the date, time and place of the adjourned meeting shall be given in the manner prescribed in Section 3 hereinabove. Any business that might have been transacted at the original meeting may be transacted at the adjourned meeting other than to re-adjourn the meeting to another time. If a meeting is adjourned because a quorum is not present, the quorum requirement at the adjourned meeting shall be Delegates representing twenty-five percent (25%) of the total voting power of the Master Association. If, however, such an

adjourned meeting is attended by Delegates representing less than one-third (1/3) of the total voting power of the Master Association, notwithstanding the presence of a quorum, only those matters which were included in the notice given in accordance with Section 3 hereinabove may be acted upon. Delegates may only act personally, or by written ballot, and may not act by proxy except as otherwise provided in the Master Declaration.

Section 7. Action Without a Meeting and by Written Ballot. Except for the election of Directors where cumulative voting is required and the consideration of the commencement of an action for damages which is subject to California Civil Code Section 1375, any other action that may be taken at any meeting of the Master Association, may be taken by written ballot of the Delegates if the following requirements are satisfied:

(a) The Secretary of the Master Association distributes a written ballot to each Delegate entitled to vote on the matter. The ballot shall be given personally, or by first-class, registered, or certified mail addressed to the Delegate at the address appearing on the books of the Master Association or given by the Delegate to the Master Association for the purpose of notice. The ballot shall provide a reasonable time within which to be returned.

(b) Each ballot shall set forth: (1) each proposed action, (2) an opportunity to specify approval or disapproval of each proposed action, (3) a reasonable time within which to return the ballot to the Master Association pursuant to Section 7513 of the California Corporations Code, as same may be amended from time to time, in order to be counted, (4) the number of responses needed to meet the quorum requirement, and (5) the percentage of approvals necessary to approve each proposed action. Ballots shall be solicited in a manner consistent with the requirements of Section 7511 and 7514 of

the California Corporations Code, as same may be amended from time to time. The solicitation must specify the time by which the ballot must be received in order to be counted.

(c) The proposed action shall be approved by written ballot if (1) within the time period specified, the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and (2) the number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(d) A written ballot may not be revoked.

(e) All written ballots shall be filed with the Secretary of the Master Association and maintained in the corporate records.

Section 8. Order of Business. Unless otherwise indicated by an agenda, the order of business at meetings of the Master Association shall be as follows: (1) roll call of the Delegates; (2) determination of the voting power represented at the meeting; (3) verification of a quorum; (4) proof of notice of meeting or waiver of notice; (5) reading of the minutes of the preceding meeting; (4) reports of officers; (6) reports of committees; (7) appointment of an inspector of any election of Directors; (8) election of Directors (at annual meetings or special meetings held for such purposes); (9) unfinished business; and (10) new business.

Section 9. Place of Meetings. Meetings of the Master Association shall be held within the Community or such other suitable meeting place within the City as close thereto as practicable and convenient to the Delegates, as may be designated by the Board of Directors from time to time. All meetings of the

Master Association shall be conducted in accordance with a recognized system of parliamentary procedure (e.g. Roberts Rules of Order) or such other parliamentary procedures as the Board may adopt.

Section 10. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of the Master Association, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

Section 11. Compensation of Delegates. No Delegate shall receive any compensation for any services performed for the Master Association or his respective Delegate District; provided however, a Delegate may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 12. Mortgagee Representation. Eligible Mortgage Holders shall have the right to attend all meetings of the Master Association through a representative who has been designated in a writing delivered to the Board prior to such meeting.

ARTICLE V

BOARD OF DIRECTORS:

NOMINATION, ELECTION, TERM OF OFFICE

Section 1. Number and Qualifications of Directors. The affairs of the Master Association shall be managed by a Board consisting of either three (3) Directors or five (5) Directors. Except for those appointed and serving as first Directors, the Board shall consist only of Members who are in good standing with the Master Association, or an agent of Declarant or a Merchant Builder so long as Declarant is entitled to annex any of the