

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

Annexable Property into the Community. The Board shall initially consist of three (3) Directors who shall be appointed by the Declarant as soon as practicable after the incorporation of the Master Association, and shall hold office until Directors are elected by the Delegates at the first annual meeting of the Master Association as specified in these By-Laws.

Section 2. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be an officer of the Master Association, and two (2) Delegates. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Master Association 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 no fewer than the number of vacancies that are to be filled. Nominations may be made from among Members or non-Members so long as Declarant is entitled to annex any of the Annexable Property into the Community. Thereafter, nominations shall only be made from among Members. Pursuant to Section 7521 of the California Corporations Code, as same may be amended from time to time, any Member who submits to the Nominating Committee prior to the close of nominations a petition signed by two percent (2%) of the voting power of the Class A Members shall be deemed nominated. The Board shall establish a date for the close of nominations which is sufficiently in advance of the time reasonably necessary for the Secretary of the Master Association to call the meetings of the Members in each Delegate District. The names of all nominees shall be set forth in the notice of the meetings of the Members in each Delegate District, as more particularly set forth in the Master Declaration. Nominations may not be made at the meetings of the Members in each

Delegate District nor from the floor of the meeting of the Master Association.

The Board shall adopt procedures that provide for a reasonable opportunity for nominees (1) to communicate to the Members, their qualifications and their reasons for candidacy, (2) to solicit votes, and (3) to meet with the Members in their respective Delegate Districts.

Section 3. Election and Term of Office. At the first annual meeting of the Master Association, the Delegates shall elect the Directors in accordance with the provisions of the Master Association Documents. The Directors elected by the Declarant's Delegate pursuant to the Declarant's Class C voting rights shall each serve for a term of two (2) years. The Director elected by the Class A members who received the highest number of votes shall also be elected for a term of two (2) years. At such time as the Board shall vote to increase the number of Directors to five (5), the Board may appoint two (2) Directors to fill the two (2) vacancies until the next annual meeting. At such next annual meeting, the three (3) Directors elected by Declarant's Delegate pursuant to the Declarant's Class C voting rights, (or after the expiration of Declarant's Class C voting rights, the three (3) Directors receiving the highest number of votes) shall each be elected for a term of two (2) years, and the two (2) Directors receiving the next highest number of votes shall each be elected for a term of one (1) year. At each annual meeting thereafter, successor Directors shall be elected for a term of two (2) years; provided however, the term of office for a Director elected to fill a vacancy created by the removal of his predecessor shall be the balance of the unserved term of his predecessor. 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.

Directors shall be elected by secret written ballot by the Delegates. Cumulative voting is required for an election of Directors when more than one (1) Director is to be elected. All cumulative voting hereunder shall comply with the procedural prerequisites of California Corporations Code Section 7615(b), as same may be amended from time to time. All Delegates (including Declarant's Delegate) shall have the right to cumulate votes and may give one candidate or divide among any number of candidates, a number of votes equal to the total number of votes such Delegate is entitled to cast, multiplied by the number of Directors to be elected.

Section 4. Declarant's Class C Voting Rights. As more particularly set forth in the Master Declaration, Declarant is the Class C Member of the Master Association. The Class C membership is not considered part of the voting power of the Master Association and Declarant is not entitled to exercise any Class C vote except for the purpose of electing a majority of the Board of Directors of the Master Association until the election of the Board immediately following the "Class C Termination Date" (as defined in the Master Declaration).

Section 5. Class A Members' Special Voting Rights. So long as the Class B or Class C memberships shall remain in effect, Delegates representing the Class A Members (other than Declarant and the Merchant Builders) shall be entitled to solely elect at least twenty percent (20%) of the members of the Board.

Section 6. Removal. Subject to the provisions of Section 4 above, at any duly noticed regular or special meeting, one (1) or more of the Directors may be removed, with or without cause, by a vote of Delegates representing a majority of the total voting power of the Master Association, and a successor may then and there be elected to fill the vacancy so created, or may be elected at a duly noticed special meeting called for such purpose.

Unless the entire Board is removed from office by the vote of the Delegates, 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 Delegates representing the voting power of Members other than Declarant and the Merchant Builders, may be removed from office prior to the expiration of his term of office only by the vote of Delegates representing at least a simple majority of the voting power residing in Members, other than the Declarant and the Merchant Builders; and in the event of such removal the Director's successor shall be elected in accordance with the provisions of these ByLaws and shall serve the balance of the unserved term of his predecessor. All Directors elected by the Declarant's Delegate pursuant to the Declarant's Class C voting rights may only be removed by Declarant's Delegate.

Section 7. Vacancies. Subject to the provisions of Sections 4 and 5 above, vacancies on the Board caused by any reason, other than the removal of a Director by a vote of Delegates of the Master Association, shall be filled by vote of the majority of the remaining Directors even though they may constitute less than a quorum. Each person so elected shall be a Director and shall serve for the remainder of the term of the Director he replaces, or until a successor is elected at a duly noticed special meeting of the Master Association called for that purpose. 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, subject to the provisions of Sections 4 and 5 above, a special election to fill the vacancy shall then be

held in accordance with the terms provided in the Articles herein entitled "Meetings of the Master Association," and "Board of Directors: Nomination, Election, Term of Office," within not less than fifteen (15) days nor more than forty-five (45) days following the expiration of said fifteen (15) day period. Notice of a special meeting and election shall be given in accordance with the provisions of these ByLaws. Vacancies shall be deemed to exist in case of death, resignation, the Close of Escrow for the sale of the Director's Lot or Condominium in the Community or a judicial determination of mental incompetency.

Section 8. Compensation of Directors. No Director shall receive compensation for any services performed for the Master Association; provided, however, a Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE VI

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Regular and Special Meetings. Regular meetings of the Board shall be held monthly or as otherwise determined by the Board, but not less frequently than twice a year, 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 Master Association Property, 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. Notice may be given personally, by first class mail, by telephone, facsimile or other electronic transmission approved by the Board. Notwithstanding the foregoing, notice of a