

on the business day preceding the day on which notice is given. A determination of Members entitled to notice of a meeting of the Master Association shall apply to any adjournment of the meeting, unless the Board fixes a new record date for the adjourned meeting.

(b) To Vote. The record date for the purpose of voting shall not be more than sixty (60) days before the date of the meeting. If the Board fails to fix a record date, Members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting of the Members, and in the case of an adjourned meeting, Members on the day of the adjourned meeting who are otherwise eligible to vote are entitled to vote at such adjourned meeting.

ARTICLE IV

MEETINGS OF THE MASTER ASSOCIATION

Section 1. Organization and Annual Meetings of the Members of the Master Association. Regular meetings of the Members of the 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 Members 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 Members of the Master Association shall be held on or about the anniversary date of the first annual meeting. At such meetings there shall be elected, by secret written ballot of the Members, a Board in accordance with the provisions of the Master Declaration and these Bylaws. The Members may also transact such other business of the Master Association as may properly come before them.

Section 2. Special Meetings of the Master Association. The Secretary shall call a special meeting of the Members 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 Members 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 twenty (20) days nor more than ninety (90) days after such action by the Board or receipt of the petition. No business shall be transacted at a special meeting except as stated in the notice.

Section 3. Notice of Meetings. Written notice of each annual meeting and of each special meeting of the Members of the Master Association 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 Members, 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 Members of the Master Association, and (2) each Eligible Mortgage Holder. A reasonable time limit 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 Members of any of the following proposals, other than by unanimous approval of those Members entitled to vote, shall not be valid unless the general nature of the proposal was stated in 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; or

(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. Quorum. Except as otherwise provided in these Bylaws or the Master Declaration, the presence in person, by proxy or by written ballot of Members representing at least twenty five percent (25%) of the total voting power of the Master Association shall constitute a quorum for the transaction of business. The Members present at a duly called meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. In the initial absence of a quorum, the Members present 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 the presence in person, by proxy or by written ballot of Members representing at least fifteen percent (15%) of the total voting power of the Master Association. Notwithstanding the presence of a quorum, if the percentage of Members actually present in person, by proxy or by written ballot at a regular meeting is less than one-third (1/3) of the total voting power of the Master Association, the only matters that may be voted upon at such regular meeting are matters notice of the general nature of which was given as provided in Section 3 above.

Section 6. Action Without a Meeting and by Written Ballot. Except for any election required by applicable California law to be conducted by secret written ballot and the secret ballots counted and tabulated by an Inspector(s) of Elections, and except for an election or

other authorization to commence an action for damages which is subject to California Civil Code Section 1375 which must be taken at a properly called special meeting of the Members, any other action that may be taken at a meeting of the Members of the Master Association may be taken by written ballot of the Members without a meeting of the Members if the following requirements of this Section are satisfied:

(a) The Secretary of the Master Association distributes a written ballot to each Member entitled to vote on the matter. The ballot shall be given personally, or by first-class, registered, or certified mail addressed to the Member at the address appearing on the books of the Master Association or given by the Member 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 7. 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 Members; (2) determination of the voting power represented at the meeting; (3) verification of a quorum; (4) proof of notice of meeting; (5) reading of the minutes of the preceding meeting; (4) reports of officers; (6) reports of committees; (7) appointment of the Inspector(s) of Elections, if necessary; (8) election of Directors (at annual meetings or special meetings held for such purposes); (9) unfinished business; and (10) new business.

Section 8. 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 for the Members, 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 9. 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 10. Mortgagee and Declarant 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. Additionally, Declarant 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 for so long as Declarant or a Merchant Builder owns any portion of the Community or the Annexable Property and continuing until the tenth (10th) anniversary of the Close of Escrow for the sale of the last Lot or Condominium in the Community pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the DRE.