

**BYLAWS
OF
LAGUNA WEST ASSOCIATION**

<u>Article/Section</u>	<u>Title</u>	<u>Page</u>
Section 4	Notice of Delegates' Meetings	16
Section 5	Quorum Requirements	18
Section 6	Adjourned Meetings	18
Section 7	Waiver of Notice or Consent by Absent Delegates	18
Section 8	Record Dates for Delegate Notice, Voting and Giving Consents	19
<u>Article VII</u>	<u>Board of Directors</u>	20
Section 1	General Association Powers	20
Section 2	Number and Qualification of Directors	20
Section 3	Initial Directors	21
Section 4	Term of Office	21
Section 5	Nomination of Directors	22
Section 6	Vacancies on Board of Directors	23
<u>Article VIII</u>	<u>Board Meetings</u>	24
Section 1	Place of Meetings	24
Section 2	Annual Meeting of Directors	25
Section 3	Other Regular Meetings	25
Section 4	Special Meetings of the Board	25
Section 5	Attendance by Members	26
Section 6	Quorum Requirements	26
Section 7	Waiver of Notice	26
Section 8	Adjournment	26
Section 9	Action Without a Meeting	27
Section 10	Compensation	27
<u>Article IX</u>	<u>Duties and Powers of the Board</u>	27
Section 1	Specific Powers	27
Section 2	Limitations on Powers	29
<u>Article X</u>	<u>Committees</u>	30
Section 1	Committees of Directors	30
Section 2	Meetings and Actions of Committees	30
<u>Article XI</u>	<u>Officers</u>	31
Section 1	Officers	31
Section 2	Election of Officers	31
Section 3	Compensation	31
Section 4	Subordinate Officers	31
Section 5	Removal of Officers	31
Section 6	Resignation of Officers	31

**BYLAWS OF
LAGUNA WEST ASSOCIATION**

TABLE OF CONTENTS

<u>Article/Section</u>	<u>Title</u>	<u>Page</u>
<u>Article I</u>	Recitals and Definitions	1
Section 1	Name	1
Section 2	Association Is Nonprofit	1
Section 3	Specific Purpose	1
Section 4	Definitions	1
 <u>Article II</u>	 Principal Office	 2
 <u>Article III</u>	 Membership	 2
Section 1	Members of the Master Association	2
Section 2	Term of Membership	2
Section 3	Multiple Ownership of Separate Interests	3
Section 4	Furnishing Evidence of Membership.	3
 <u>Article IV</u>	 Membership Voting Rights and Meetings	 3
Section 1	Voting Rights, Generally	3
Section 2	Number of Votes Per Member	3
Section 3	Election, Removal and Instruction of Delegates	3
Section 4	Cumulative Voting	5
Section 5	Proxy Voting	5
Section 6	Suspension of Voting Rights	7
Section 7	Action by Written Ballot Without a Meeting	7
Section 8	Other Voting Procedures	9
Section 9	Membership Meetings	9
 <u>Article V</u>	 Delegate Voting	 11
Section 1	Delegate Districts	11
Section 2	Delegate Voting	13
Section 3	Eligibility to Vote	14
Section 4	Manner of Casting Votes	15
Section 5	Majority Vote of Delegates Represented at Meeting Required for Valid Action	15
 <u>Article VI</u>	 Delegate Meetings	 15
Section 1	Place of Meeting	15
Section 2	Annual Meeting	15
Section 3	Special Meetings	16

<u>Article/Section</u>	<u>Title</u>	<u>Page</u>
Section 7	Vacancies	32
Section 8	President	32
Section 9	Vice President	32
Section 10	Secretary	32
Section 11	Chief Financial Officer	32
<u>Article XII</u>	Member Assessment Obligations and Master Association Finances	33
Section 1	Description of Assessments to Which Owners Are Subject	33
Section 2	Checks	33
Section 3	Operating Account	33
Section 4	Other Accounts	33
Section 5	Budgets and Financial Statements	33
<u>Article XIII</u>	Miscellaneous	35
Section 1	Inspection of Books and Records	35
Section 2	General Manager	36
Section 3	Roberts Rules of Order	36
Section 4	Amendment or Repeal of Bylaws	36
Section 5	Notice Requirements	36
Section 6	Indemnification of Agents	37
Section 7	Construction and Definitions	38
Certificate of Secretary		38

BYLAWS OF
LAGUNA WEST ASSOCIATION

ARTICLE I
Recitals and Definitions

Section 1. Name. The name of this corporation shall be Laguna West Association and shall be referred to herein as the "Master Association."

Section 2. Master Association Is Nonprofit. The Master Association has been formed pursuant to the Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code, § 7110 et seq.) as a nonprofit mutual benefit corporation.

Section 3. Specific Purpose. The specific and primary purposes of this Master Association shall be to own, repair, maintain and manage the Association Property within the Laguna West master planned community located in the County of Sacramento, State of California; to enforce the provisions of the Master Declaration and the Rules and Regulations adopted from time to time by the Board of Directors; and to otherwise enhance and promote the use and enjoyment of the Association Property by the Owners in common.

Section 4. Definitions.

(a) County. "County" means the County of Sacramento, State of California, and its various departments, divisions, employees and representatives.

(b) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members or Delegates attending the membership/delegate meeting or the number of ballots cast equals or exceeds the quorum requirement specified in article IV, section 9(f) and article VI, section 5, below. In the case of membership meetings, the Voting Power of a particular Member may be represented at the meeting by proxy (see article IV, section 5, below).

(c) Master Declaration. "Master Declaration" means the Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Laguna West, Recorded on July 18, 1991, in Book 91-07-18, page 1113, of the Official Records of Sacramento County, California, as such Master Declaration may from time to time be supplemented, amended or modified by a duly Recorded subsequent Declaration or amendment.

(d) Person. "Person" means a natural individual, a corporation, a partnership or any other entity with the legal right to hold title to real property.

(e) Voting Power. "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at any time a determination of Voting Power is made.

(f) Other Definitions Incorporated by Reference. The terms defined in the Master Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE II Principal Office

The principal office of the Master Association will be located at such place within the Properties as the Board may from time to time designate by resolution.

ARTICLE III Membership

Section 1. Members of the Master Association. Members of the Master Association shall be (a) Declarant (irrespective of whether Declarant is the Owner of a Separate Interest), for so long as Declarant is entitled to cast Class C votes pursuant to article V, section 2(c)(iii), below, (the "Class C Membership"), and (b) each Owner (including Declarant and Participating Builders) of one or more Separate Interests within the Properties (including Owners of Unmapped Phases, as defined in article V, section 4(i) of the Master Declaration). Membership in the Master Association shall be subject to the Governing Documents and, except for the Class C Membership, shall be appurtenant to the Separate Interest owned by each Owner. Memberships held by Owners shall not be assignable, except to the Owner's successor-in-interest. Except for the Class C Membership, ownership of a Separate Interest shall be the sole qualification for an Owner's membership in the Master Association.

Memberships in the Master Association shall not be transferred, pledged or alienated in any way except upon the transfer of title to the Separate Interest to which the membership is appurtenant and then only to the transferee of title to said Separate Interest. Declarant's Class C Membership may not be transferred except to a successor to Declarant's rights under the Master Declaration. Any attempt to make a prohibited transfer of a membership shall be void and shall not be reflected on the books of the Master Association.

An Owner's membership in the Master Association shall be in addition to membership in any Sub-Association created to own, operate and/or maintain any portion of a Planned Development, Condominium Project or Commercial Area in which his Separate Interest is located. A Member shall have the right to assign his or her rights of use and enjoyment of the Association Property to a lessee or tenant of his or her Separate Interest in accordance with article III, section 2 of the Master Declaration.

Section 2. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under section 1 above. Upon the sale, conveyance or other transfer of an Owner's interest in a Separate Interest, the Owner's membership interest appurtenant to the Separate Interest shall automatically transfer to the Separate Interest's new Owner(s).

Section 3. Multiple Ownership of Separate Interests. If there is more than one Record Owner of a Separate Interest, any and all of the co-Owners may attend any meeting of the Members, but the vote attributable to the membership shall not be increased by reason thereof. In addition, all of the co-Owners shall have equal rights as Members to use and enjoy the Association Property and associated facilities. Any one of the co-Owners shall be entitled to vote the membership, unless the secretary of the Master Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one of the multiple Owners votes a membership, the majority of such votes shall be the vote pertaining to said Separate Interest. If there is not a majority of such votes, the vote of such Membership shall not be considered as either in favor of or opposed to the issue or issues which are the subject of the vote, but the membership shall be considered for purposes of determining whether a quorum for the vote has been met.

Section 4. Furnishing Evidence of Membership. In the event that there is any question regarding a person's status as a Member, the Chairman of the Delegate meeting shall be entitled to require evidence that the person is qualified to be a Member under section 1 above. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written ballot and eligibility for voting set forth in article IV, section 1(e), hereof.

ARTICLE IV Membership Voting Rights and Meetings

Section 1. Voting Rights, Generally. Members (other than the Class C Member) shall elect Delegates and Alternate Delegates to act on their behalf at meetings of the Master Association, all as more particularly provided in article V, section 2, below. All Master Association matters requiring the vote or consent of the Members, including without limitation the election of directors, shall be voted upon by the Delegates, as directed by the Members pursuant to article V, section 2(b) of these Bylaws. Direct voting rights of the Members (except as specifically set forth herein relative to the Class C Member) shall be limited to (i) electing and removing a Delegate pursuant to section 3, below, and (ii) providing instructions to a Delegate regarding the manner in which the Voting Power controlled by such Delegate is to be voted (see article V, section 2(b), below). The three classes of voting membership, the number of votes (i.e., Voting Power) held or represented by each Delegate, and the manner in which each Delegate shall cast votes exercisable by the Delegate shall be as set forth in article V, section 2(c) of these Bylaws.

Section 2. Number of Votes Per Member. In electing a Delegate and an Alternate Delegate, each Member shall be entitled to cast the number of votes allocated to such Member pursuant to article V, section 2(c) of these Bylaws.

Section 3. Election, Removal and Instruction of Delegates. Unless the Supplemental Declaration covering a Delegate District with a Sub-Association, or other constituent documents providing for the Sub-Association in such Delegate District (collectively, the "Constituent Documents"), specify procedures relating to the election and removal of the Delegate (and Alternate

Delegate) for that Delegate District by the Members in that Delegate District, such matters shall be governed by the procedures set forth in this section. Any Delegate or Alternate Delegate representing a Delegate District without a Sub-Association shall also be elected and removed by the Members in that Delegate District in accordance with the procedures set forth below:

(a) Election.

(i) Delegate Districts with Sub-Associations. The president of each Sub-Association shall be the Delegate for any Delegate District in which a Sub-Association has been formed pursuant to a Supplemental Declaration covering property within the Delegate District. The vice-president of each such Sub-Association shall be the Alternate Delegate for such Delegate District.

(ii) Delegate Districts without Sub-Associations. If a Delegate District has no Sub-Association with jurisdiction therein, Delegates and Alternate Delegates shall be elected as follows: At the first meeting of each Delegate District, and at each subsequent annual meeting for each Delegate District (or if no such annual meetings are held for a particular Delegate District, then once each calendar year), the Members of the Delegate District shall elect (A) one (1) Delegate to the Master District; and (B) one Alternate Delegate, who shall have and shall exercise the powers and duties of the Delegate for that Delegate District whenever the Delegate is absent, disabled or unable to act, as more fully described in these Bylaws. The Chairman of any meeting at which a Delegate and an Alternate Delegate are elected shall certify in writing to the Board: (1) the name and address of the Delegate and the Alternate Delegate elected; (2) the time and place of the meeting at which the election occurred; and (3) the Delegate District which the Delegate and the Alternate Delegate represent. Only Members of the Master Association or, if a Member is a corporation, partnership or other such entity, the authorized representative of such entity, shall be eligible for election as a Delegate or an Alternate Delegate. Upon termination of any Delegate's or Alternate Delegate's membership in the Master Association, the Delegate's or Alternate Delegate's term of office shall immediately terminate and a new Delegate or Alternate Delegate shall be elected in his or her place.

(b) Term. Each Delegate and Alternate Delegate elected at the annual meeting of Members shall continue in office for a term of one (1) year or until a successor is elected, whichever is later. Each other Delegate and Alternate Delegate shall serve the unexpired term of the Delegate or Alternate Delegate being replaced. If an individual sits as a Delegate or Alternate Delegate by virtue of his office in a Sub-Association pursuant to subparagraph (a)(i), above, that individual's authority as a Delegate or Alternate Delegate shall cease upon his resignation or removal from office in the Sub-Association and shall be assumed by his or her successor.

(c) Removal. A Delegate or an Alternate Delegate may be removed without cause by the vote in person or by proxy at any duly constituted meeting at which a quorum is present of at least a majority of the Voting Power of the Members within the Delegate District. Upon removal of a Delegate or an Alternate Delegate, a new Delegate or Alternate Delegate shall be elected by

the Members in the Delegate District at a special meeting convened, or by a vote by written ballot conducted, for that purpose. Any individual who serves as a Delegate or Alternate Delegate by virtue of the individual's service as President or Vice President of a Sub-Association may only be removed as a Delegate/Alternate Delegate if the individual is simultaneously removed from office in the Sub-Association.

(d) Instruction of Delegates by Members. Members within each Delegate District shall instruct their Delegate as to how the Delegate shall vote the Voting Power controlled by such Delegate in accordance with article V, section 2(b) of these Bylaws.

Section 4. Cumulative Voting. The following provisions shall govern the use of cumulative voting by Members:

(a) Cumulative Voting shall not be permitted in the election of Delegates to represent Delegate Districts. Cumulative voting shall be permitted in the election of directors of the Master Association to the extent described in subparagraphs (b) and (c), below.

(b) In any election in which the Members within a particular Delegate District are entitled to elect more than one director, cumulative voting shall be permitted so that every Member within that Delegate District who is entitled to vote in the election may cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the Member is entitled, or may distribute his votes on the same principle among as many candidates as the Member thinks fit. For purposes of determining the number of directors to be elected, directors who sit by designation and directors elected solely by the votes of Members owning Separate Interests in the Commercial, Industrial, Town Center or Apartment Delegate District Areas (see article V, section 1(c)) shall not be counted.

(c) No Member shall be entitled to cumulate votes for a candidate or candidates unless the candidate's name or candidates' names have been placed in nomination prior to the voting and the Member has given notice at the meeting prior to the voting of the Member's intention to cumulate votes. If any one Member has given this notice, all Members may cumulate their votes for candidates in nomination.

Section 5. Proxy Voting.

(a) Generally. Any Member entitled to vote at a membership meeting to elect, remove or instruct a Delegate may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Chairman of the meeting. Any proxy shall be for a term not to exceed eleven (11) months from the date of execution, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Subject to the time limitations set forth in subparagraph (a) above, every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant

thereto. Any proxy issued hereunder shall be revocable by the Member executing the proxy at any time prior to the vote pursuant thereto, by (i) delivering to the Chairman of the meeting a written notice of revocation, (ii) delivering to the Chairman of the meeting a subsequent proxy, executed by the Member who executed the prior proxy, or (iii) attendance at the meeting and voting in person by the Member executing the proxy. In the case of multiple and conflicting proxies issued for a single membership, the dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the Chairman shall receive actual notice, prior to the date the vote is counted, of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Separate Interest as provided in article III, section 1 above. Notwithstanding the foregoing, proxies issued by Participating Builders to Declarant which are designated as "irrevocable" by the Participating Builder shall be irrevocable for so long as the Participating Builder holds a Class B membership in the Master Association with respect to that property for which the proxy was issued.

(c) Limited Proxies.

(i) Any Member shall be entitled to issue a proxy which directs the proxy holder regarding the manner in which the proxy is to be voted on the issuing Member's behalf (a "Limited Proxy"). If a Limited Proxy is issued, the proxy holder shall be obligated to cast the votes represented by the proxy as directed by the issuer.

(ii) Any form of proxy distributed to 10 or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote(s) represented by the proxy in accordance with the issuer's designated preference.

(iii) In accordance with subparagraph (ii), above, proxies distributed in connection with the election of a Delegate, an Alternate Delegate, or directors shall set forth the names of all individuals who are candidates for election at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his or her voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of a Delegate, an Alternate Delegate, or directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a Delegate, Alternate Delegate, or a director. If any proxy issued in connection with the election of a Delegate, an Alternate Delegate or directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

(d) Restriction or Elimination of Proxy Rights; Limitation on Authority. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the Voting Power of each class of Members represented and voting at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the Voting Power of each class of Members voting by written ballot as provided in section 7, below.

(e) Proxy Rules for Memberships Held by More Than One Person. Where two or more persons constitute a Member, any proxy with respect to the vote of such Member shall be signed by all such persons. All such persons may attend meetings, but no vote of such Member shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

Section 6. Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote in any meeting of the Members in any Delegate District, for any period during which the payment of any Assessment against such Member and the Separate Interest owned by such Member remains delinquent, it being understood that any suspension for non-payment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay Assessments in accordance with article V of the Master Declaration.

Section 7. Action by Written Ballot Without a Meeting.

(a) Definition of Written Ballot. A "written ballot" is a ballot which is mailed or otherwise distributed by the Master Association to every Member within one or more Delegate Districts entitled to vote on the matter and which complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) Written Ballots, Generally. Any matter or issue which requires the vote of the Members either by specific provision of the Governing Documents or by State law, other than the election of directors, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members within one or more Delegate Districts, so long as the requirements for action by written ballot set forth in this section are met. The determination to seek Member approval in this fashion shall be made by a majority vote of the Board (with respect to all Delegate Districts), by any Delegate (with respect to his or her Delegate District), or by Members possessing at least five percent (5%) of the Voting Power of the Members within a particular Delegate District signing a written request that a proposal be presented to the Members within that Delegate District for a vote by written ballot and delivering this request to the Delegate representing that Delegate District.

If a request for a written ballot vote is received by any Delegate from Members comprising five percent (5%) or more of the Voting Power of all Members of the Association, the matter will be presented to all Members for a vote by written ballot. Any request for a written ballot vote received by a Delegate shall be promptly presented to the Master Association at its principal office. If a valid request for a vote by written ballot is received from the Members, the Master Association's obligations to initiate the balloting process shall be governed by the procedures set for in article VI,

section 3(b) hereof for the conduct of special meetings convened in response to a proper request received from the Members.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see article VI, section 8(a)(iii) hereof) and distribute a written ballot to every Member entitled to vote on the matter. This distribution shall be made consistent with the time requirements specified in subparagraph (d), below.

(c) Content of Written Ballots. Any written ballot distributed to the Members shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(d) Balloting Time Requirements. Written ballots shall be distributed by the Master Association to all eligible Members at least thirty (30) days prior to the final date the written ballots must be received at the principal office of the Master Association or the office of any inspector of elections or accounting firm appointed pursuant to subparagraph (g), below, in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Delegate and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may only be extended if the Delegate so notifies the Members in the balloting solicitation materials originally sent to Members and then for no more than two successive periods of thirty (30) days each.

(e) Requirements for Valid Delegate Action by Written Ballot. Membership approval by written ballot shall only be valid if: (i) the number of votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in article IV, section 9(f)), that would have been required to be present at a Member meeting if such a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting.

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of article IV, section 9(e), pertaining to issuance of notice of Members' meetings. All solicitations of written ballots shall indicate: (i) the number of responses needed to meet the quorum requirement for valid action, (ii) the time by which the written ballot must be received by the Delegate in order to be counted, and (iii) the percentage of affirmative votes necessary to approve the measure.

(g) Additional Balloting Procedures. If deemed necessary by the Board or by any Delegate, the written ballot shall be conducted in accordance with such additional procedures, not inconsistent with the provisions of this section, as may be prescribed by a firm of public accountants of good repute who may also be retained to supervise the secrecy and conduct of the balloting process. Without limiting the generality of the foregoing, the Board shall also be authorized and empowered to appoint an inspector(s) of election to perform the duties described in section 7614 of the Corporations Code with respect to any written ballot proceeding.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Master Association shall notify the Members of the outcome of the vote within thirty (30) days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Master Association shall so notify the Members.

(i) Prohibition of Revocation. Once exercised, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures provided herein shall not preclude a Delegate from also conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

Section 8. Other Voting Procedures. All other procedures relating to voting by Members shall be governed by the applicable provisions of article V of these Bylaws (Delegate Voting), modified as the context requires.

Section 9. Membership Meetings.

(a) Generally. Unless the Supplemental Declaration covering a Delegate District with a Sub-Association, or the Constituent Documents for that Delegate District, specify procedures relating to meetings of Members within that Delegate District, meetings of Members shall be governed by the procedures set forth below. Additionally, the procedures set forth below shall govern such meetings except where contrary to or inconsistent with the Constituent Documents. In any event, the Constituent Documents shall provide for an annual meeting of Members to elect a Delegate to the Master Association and for the holding of such annual meeting within the time periods specified below. Meetings of Members within a Delegate District which has no Sub-Association shall be governed by the procedures set forth below.

(b) Place of Meeting. Membership meetings for each Delegate District shall be held at the principal office of the Master Association, at a suitable location within the Delegate District or at a meeting place as close to the Properties as practical. The specific location of the meeting shall be fixed from time to time by the Delegate and set forth in the notice of meeting.

(c) Annual Meeting. There shall be an annual meeting of the Members in each Delegate District not less than ten (10) days nor more than sixty (60) days prior to every annual meeting of the Master Association.

(d) Special Meetings. Declarant, the Delegate, or Members within a Delegate District representing at least five percent (5%) of the Voting Power of that Delegate District may call a special meeting of the Members in that Delegate District at any time for any lawful purpose. When a request for a special meeting originates with the Members, the procedures for calling special meetings specified in article VI, section 3(b) shall be followed, except that any reference to "Delegates" shall be deemed a reference to Members within the Delegate District for purposes of this subparagraph (d).

(e) Notice of Meetings.

(i) Time Requirements. Written notice of all meetings of Members within a Delegate District shall be given, not less than ten (10) days nor more than ninety (90) days before the date of the meeting, to each Member in that Delegate District who, on the record date for notice of the meeting, is entitled to vote at the meeting. If notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the date of the meeting. Notwithstanding the foregoing, in the case of special meetings called by petition of the Members, the time requirements for notice shall be as set forth in article VI, section 3(b).

(ii) Content of Notice. At a minimum, the notice shall state the place, date and time of the meeting and (A) for a special meeting, the general nature of the business to be transacted, and no other business may, in that case, be transacted, or (B) for an annual meeting, those matters upon which the Board of Directors, at the time the notice is given, intends the Members to act, but any proper matter may be presented at the meeting for action so long as a quorum is present. The notice of any meeting at which a Delegate, an Alternate Delegate, or directors are to be elected shall include the names of all of those individuals who are nominees at the time the notice is given to the Members.

(iii) Specification of Certain Significant Actions. If action is proposed to be taken at any meeting of Members within a Delegate District for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

(A) Removing a director without cause;

(B) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members (as cast by Delegates) is required pursuant to article VII, section 6(g) of these Bylaws;

(C) Amending the Articles of Incorporation of the Master Association, these Bylaws or the Master Declaration in any manner requiring approve of the Members;

(D) Approving a contract or transaction between the Master Association and one or more of its directors, or between the Master Association and any corporation, firm or association in which one or more of its directors has a material financial interest;

(E) Approving any change in the Master Association's Assessments in a manner requiring Member approval under the Master Declaration; or

(F) Voting upon any election to voluntarily terminate and dissolve the Master Association.

(iv) Manner of Service. Notice of any meeting of Members within a Delegate District shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Master Association or the address given by the Member to the Master Association for the purpose of notice. If no address appears on the Master Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Master Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the Member.

(f) Quorum Requirements. The presence at any meeting, in person or by proxy, of Members entitled to vote at least twenty-five percent (25%) of the Voting Power within a Delegate District shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. 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 not fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the same manner prescribed for the originally scheduled meeting.

(g) Conduct of Meetings. The Delegate shall be the Chairman to preside over the meeting and the Members present shall select a secretary to transcribe minutes of the meeting. Any action requiring the action of Members may be taken at any meeting of such Members upon the affirmative vote of the Members having a majority of the Voting Power of the Delegate District present at such meeting in person or by proxy, except as otherwise provided in the Articles, the Bylaws, the Master Declaration, or any Supplemental Declaration.

ARTICLE V Delegate Voting

Section 1. Delegate Districts. To facilitate the representation and voting of Members at formal meetings of the Master Association or by written ballot (see article IV, section 7), the Properties shall be divided into Delegate Districts and Members owning Separate Interests within said Delegate Districts shall be represented by Delegates, all as more particularly described herein.

(a) Portions of the Properties with Sub-Associations. If a Sub-Association is created for the administration of any Planned Development, Condominium Project or Commercial Area within the Properties, the real property covered by the Supplemental Declaration (and all phases of development thereof) shall constitute a Delegate District.

(b) Portions of the Properties Without Sub-Associations. For portions of the Properties for which a Sub-Association has not been created, the various Delegate Districts shall be established by Declarant from time to time by the Recordation of a written instrument signed by Declarant containing a legal description of the portion of the Properties which shall constitute a Delegate District and a statement that such real property described therein shall constitute a Delegate District for purposes of the Master Declaration.

(c) Classification of Delegate Districts For Director Election Purposes. As provided in article VII, section 2 of these Bylaws, the directors of the Master Association shall be elected to represent specific Delegate District Areas, unless the director is elected to fill an "At-Large" seats on the Board. With the exception of the At-Large directors, who shall be elected by all of the Delegates who represent residential Delegate Districts, directors shall be elected to office solely by votes cast by Delegates within the director's Delegate District Area. During the period when there is a Class C Membership, these general voting rules shall be modified as described in section 2(c)(iii), below.

The classification of Delegate Districts for the purpose of electing directors shall be as follows:

- (i) Single Family Residential Delegate Districts;
- (ii) Multi-Family Residential Delegate Districts;
- (iii) Apartment Residential Delegate Districts;
- (iv) Commercial Delegate Districts;
- (v) Industrial Delegate Districts;
- (vi) The Town Center Delegate District; and
- (vii) An At-Large Delegate representing all residential Delegate Districts.

In the event that a Delegate District contains more than one type of Separate Interest (i.e., Single Family and Multi-Family Residences), the District shall be designated in the instrument creating the Delegate District as being part of no more than one of the six categories listed in subparagraphs (i) through (vi), inclusive, above. If a particular Delegate District classification has not been created, the director position reserved for that category shall be deemed to be an At-Large position until the category is created so as to preserve a seven-member Board of Directors. Upon creation of the category, a director shall be elected to represent that category at the next annual meeting. Notwithstanding the foregoing, the Town Center Delegate District shall be deemed to be comprised solely of Commercial Parcels within the Town Center area, and any Single Family Residential Lots within the Town Center area shall be designated as a separate Single Family Residential Delegate District and shall vote in the election for the director(s) to represent the Single Family Residential Delegate Districts, and all Residential Lots within the Town Center area which are developed as rental apartments shall be designated as a separate Apartment Residential Delegate

District and shall vote in the election for the director(s) to represent the Apartment Residential Delegate Districts.

Section 2. Delegate Voting.

(a) Voting by Delegates, Generally. Each Delegate District shall elect one (1) Delegate to the Master Association to represent and cast the Voting Power of all of the Class A and Class B Members in that Delegate District. Any Class C vote shall be cast by Declarant. Delegates shall vote on all matters requiring the vote or consent of the Members. It will be conclusively presumed for all purposes of Master Association business that any Delegate casting votes on behalf of the Members owning Separate Interests in his or her Delegate District acted with the authority and consent of all such Members. All agreements and determinations lawfully made by the Master Association in accordance with the voting procedures established in these Bylaws, shall be deemed to be binding on all Members, their successors and assigns.

(b) Member Directed and Discretionary Delegate Voting. Delegates shall be obligated to cast the votes of Members they represent as instructed by such Members ("Member Directed Delegate Voting"). The Delegate representing each Delegate District shall cast all of the Voting Power in that Delegate District in the same proportion, as nearly as possible without counting fractional votes, as the Members in that Delegate District shall have voted "for" and "against" the issue. The only matters on which the Delegates may vote in their own discretion (rather than voting as directed by their constituent Members) shall be procedural matters relating to the conduct of Delegate meetings or the distribution of written ballots to Members, such as voting to adjourn a Delegate meeting, voting to establish a date for the distribution and receipt of written ballots or voting to convene a Delegate or membership meeting.

(c) Classes of Voting Membership/Delegate Vote Entitlements. The Master Association shall have three (3) classes of voting membership as follows:

(i) Class A. Class A Members shall initially be all Owners with the exception of Declarant and Participating Builders. Each Delegate shall be entitled to cast the following votes with respect to the specified categories of Separate Interests located within his or her Delegate District owned by Class A Members and subject to Assessment: (A) with respect to single Family Residential Separate Interests, one (1) vote for each such Separate Interest; (B) with respect to Residential Lots developed as rental apartments, one (1) vote for each three (3) apartment units (or remainder, if the total number is not exactly divisible by the integer three (3)) included within any one such Residential Lot; and (C) with respect to Commercial Parcels, one (1) vote for each one-third (1/3) gross acre or fraction thereof within each Commercial Parcel.

(ii) Class B. The Class B Members shall be Declarant and Participating Builders. Each Delegate shall be entitled to cast the following votes with respect to the specified categories of Separate Interests located within his or her Delegate District owned by Class B Members and subject to Assessment: (A) with respect to single Family Residential Separate Interests, three (3) votes for each such Separate Interest; (B) with respect to Residential Lots developed as rental apartments, one (1) vote for every

apartment unit included within any one such Residential Lot; and (C) with respect to Commercial Parcels, three (3) votes for each one-third (1/3) gross acre or fraction thereof within each Commercial Parcel.

Because of the slow economy that currently exists and that may exist from time to time in the course of the development and construction of the significant number of Separate Interests that are contemplated for the Properties, it is in the best interests of the Properties that the Class B voting power continue to exist for an extended period of time in accordance with the provisions of section 2792.32 of the regulations of the DRE. Therefore the Class B membership shall cease and be converted to Class A membership on the first to occur of:

(A) The sixth (6th) anniversary of the first Close of Escrow for the sale of a Lot or a Condominium in the Properties; provided that, as of said sixth anniversary date, at least one thousand four hundred and eighty-six (1,486) Lots and Condominiums have been conveyed in a transaction that required the delivery of a Final Subdivision Public Report. In the event that, as of said anniversary date, at least one thousand four hundred eighty-six (1,486) Lots and Condominiums have not been conveyed to Owners in a transaction that required the delivery of a Final Subdivision Public Report, then such Class B Membership shall continue in effect for an additional two-year period of time; or

(B) The eighth (8th) anniversary of the first Close of Escrow for the sale of a Lot or a Condominium in the Properties.

(iii) Class C. The Class C Member shall be Declarant. The Class C Membership shall not be considered a part of the Voting Power of the Master Association and Declarant shall not be entitled to exercise any Class C vote except for the purpose of electing those Directors which the Class C Membership is entitled to elect hereunder. The Class C Member shall be entitled to solely elect a majority of the members of the Board of Directors until the first to occur of:

(A) At such time as the Close of Escrow shall have occurred for the sale by Declarant and any Participating Builders to the public of at least one thousand four hundred eighty-six (1,486) Lots and Condominiums in the Properties; or

(B) The fourth (4th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Properties.

Section 3. Eligibility to Vote. Each Delegate shall be entitled to cast the Class A and Class B votes held by Members who own Separate Interests in his or her Delegate District only during such periods as the Owner of such Separate Interest is entitled to cast votes for the election of a Delegate as provided in these Bylaws or in any Supplemental Declaration, whichever is applicable. Thus, if a particular Member is ineligible to vote for any reason, the vote(s) of that Member shall not be cast by the Delegate.

Section 4. Manner of Casting Votes.

(a) Voting at Delegate Meetings. Voting at any Delegate meeting shall be by ballot.

(b) Voting by Written Ballot. In addition to voting in person at a meeting, written ballots indicating the votes of Members in each Delegate District may be solicited by the Master Association Board from each Delegate by mail.

(c) Proxy Voting/Voting by Alternate Delegate. Delegates may not vote by proxy. If a Delegate is not present at a duly called meeting of the Delegates, then the Alternate Delegate may attend the meeting and exercise all rights, powers and votes to which the absent Delegate would otherwise cast. If the previously absent Delegate should arrive prior to the adjournment at any such meeting, the Alternate Delegate shall no longer be entitled to act in the place of such Delegate; provided that such relinquishment of authority by the Alternate Delegate shall not invalidate any matter previously voted or acted upon by the Alternate Delegate in his or her temporary capacity as a Delegate.

(d) Cumulative Voting. Cumulative voting by Delegates shall not be permitted. Notwithstanding the foregoing, where the Members within a Delegate District cumulated their votes in accordance with article IV, section 4 of these Bylaws, the Delegate representing that Delegate District shall cast the votes as directed by the Members.

Section 5. Majority Vote of Delegates Represented at Meeting Required for Valid Action. If a quorum is present, the affirmative vote of the majority of the Delegates represented at the meeting, entitled to vote and voting on any matter (other than the election of directors) shall be the act of the Delegates, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. As noted in section 2(b) of this article, most Delegate voting (and thus the determination of effective action hereunder) shall be Member Directed Delegate Voting. In the case of director elections, the candidate receiving the greatest number of votes cast by Delegates within the District Area that the candidate will represent shall be elected to fill the vacancy.

ARTICLE VI
Delegate Meetings

Section 1. Place of Meeting. The meetings of the Delegates shall be held at the offices of the Master Association within the Properties or at such other suitable place (within the County) as may be designated by the Board in the notice of the meeting. Unless unusual conditions exist, meetings shall not be held outside of the County. Any Member of this Master Association shall be entitled to attend any meeting of Delegates.

Section 2. Annual Meeting. The first annual meeting of the Delegates shall be held not more than forty-five (45) days after the closing of the sale of the Separate Interest which represents the fifty-first (51st) percentile subdivided interest authorized for sale under the first public report for the

Properties, but in no event shall the first meeting be held later than six (6) months after the closing of sale of the first Separate Interest. Thereafter, there shall be an annual meeting of the Delegates on or about the anniversary date of the first annual meeting.

Section 3. Special Meetings.

(a) Persons Entitled to Call Special Meetings. A majority of the Board, the president of the Master Association, or one (1) or more Delegates representing in the aggregate at least five percent (5%) of the total Voting Power of the Members may call special meetings of the Delegates at any time to consider any lawful business of the Master Association.

(b) Procedures for Calling Special Meetings Requested by Delegates. If a special meeting is called by Delegates representing the requisite Voting Power, the request shall be submitted by such Delegates in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the president, any vice president, or the secretary of the Master Association. The officer receiving the request shall cause notice to be promptly given to the Delegates of record, the Class C Member (if directors are to be elected at such meeting), and to each First Mortgagee of a Separate Interest who has filed a request for notice with the secretary, in accordance with the provisions of section 4 of this article, that a meeting will be held, and the date, time and purpose for such meeting, which date shall be not less than thirty-five (35) days nor more than ninety (90) days following the receipt of the request.

If notice of the meeting is not given within the twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Delegates may be held when the meeting is called by action of the Board of Directors or the president.

Section 4. Notice of Delegates' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Delegates shall be sent or otherwise given in writing to each Delegate of record as of the record date for notice established in accordance with section 8 of this article.

(b) Time Requirements for Notice. The notice of Delegate meetings shall be given in the manner specified in subparagraph (e) of this section, not less than ten (10) days nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Delegates; but any

proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Delegates.

(d) Specification of Certain Significant Actions. If action is proposed to be taken at any Delegate meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Delegate action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

(i) Removing a director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to article VII, section 6(g) of these Bylaws;

(iii) Amending the Articles of Incorporation of the Master Association, these Bylaws or the Master Declaration in any manner requiring approval of the Members;

(iv) Approving a contract or transaction between the Master Association and one or more of its directors, or between the Master Association and any corporation, firm or association in which one or more of its directors has a material financial interest;

(v) Approving any change in the Master Association's Assessments in a manner requiring Member approval under the Master Declaration; or

(vi) Voting upon any election to voluntarily terminate and dissolve the Master Association.

(e) Manner of Service. Notice of any meeting of Delegates shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Delegate either at the address of that Delegate appearing on the books of the Master Association or the address given by the Delegate to the Master Association for the purpose of notice. If no address appears on the Master Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Delegate by first-class mail or telegraphic or other written communication to the Master Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Delegate meeting may be executed by the secretary or the assistant secretary of the Master Association, and if so executed, shall be filed and maintained in the minute book of the Master Association. Such affidavit shall constitute prima facie evidence of the giving of notice.

Section 5. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Delegates or by written ballot in accordance with article V, section 4(b) of these Bylaws:

(i) Quorum for Votes on Assessment Increases. In the case of any Delegate meeting or written ballot called or conducted for the purpose of voting on Assessment increases or the levying of any Assessment requiring Member approval (see article V of the Master Declaration), the quorum requirement for valid action on the proposal shall be the percentage specified in section 1366 of the Civil Code or comparable superseding statute. That quorum percentage is currently a majority of the Voting Power of the Members.

(ii) Quorum for Valid Action on Other Matters. In the case of a Delegate meeting or written ballot called or conducted for any other purpose, the quorum shall be twenty-five percent (25%) of the Voting Power of the Members.

(b) Effect of Departure of Delegates From Meeting. The Delegates present in person at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Delegates to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Delegates required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Delegates who are present may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

Section 6. Adjourned Meeting.

(a) Adjournment, Generally. Any annual or special Delegate meeting, whether or not a quorum is present, may be adjourned to another time and/or place (but not for more than forty-five (45) days) by the vote of the majority of Delegates present at the meeting. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action which might have been transacted at the original meeting.

(b) Notice Requirements for Adjourned Meetings. When a Delegate meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Delegate who on the record date for notice of the meeting is entitled to vote thereat.

Section 7. Waiver of Notice or Consent by Absent Delegates.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Delegates at a meeting where a quorum is present, but for which proper notice was not given to all Delegates for whatever reason, the decisions or actions made at that meeting will be valid if, either before

or after the meeting, each person entitled to vote who was not present at the meeting consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken with respect to any matters specified in section 4(d) of this article V, in which case, the waiver of notice or consent must state the general nature of the matter. All such waivers, consents or approvals shall be filed with the Master Association records or be made part of the minutes of the meeting.

(b) Effect of a Delegate's Attendance at a Meeting. Attendance by a Delegate or Alternate Delegate at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Delegate or Alternate Delegate attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein pursuant to section 4(d) of this article, if that objection is expressly made at the meeting.

Section 8. Record Dates for Delegate Notice, Voting and Giving Consents.

(a) Record Dates Established By the Board of Directors. For the purpose of determining which Delegates are entitled to receive notice of any meeting, vote, act by written ballot without a meeting or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Delegates of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any Delegate on the books of the Master Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this section shall:

(i) Record Date for Notice of Meetings. In the case of determining those Delegates entitled to notice of a meeting, not be more than ninety (90) days nor less than ten (10) days before the date of the meeting;

(ii) Record Date for Voting. In the case of determining those Delegates entitled to vote at a meeting, not be more than sixty (60) days before the date of the meeting;

(iii) Record Date for Action By Written Ballot Without Meeting. In the case of determining Delegates entitled to cast written ballots (see article IV, section 7), not be more than sixty (60) days before the day on which the first written ballot is mailed or solicited; and

(iv) Record Date for Other Lawful Action. In the case of determining Delegates entitled to exercise any rights in respect to other lawful action, not be more than sixty (60) days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) Record Date for Notice of Meetings. The record date for determining those Delegates entitled to receive notice of a meeting of Delegates, shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(ii) Record Date for Voting. The record date for determining those Delegates entitled to vote at a meeting of Delegates shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Delegates entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(iv) Record Date for Other Lawful Action. The record date for determining those Delegates entitled to exercise any rights in respect to any other lawful action shall be Delegates at the close of business on the day on which the Board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.

(c) "Record Date" Means as of Close of Business. For purposes of this section, a person listed as the Delegate in the Master Association's records as of the close of business on the record date shall be deemed the Delegate of record.

ARTICLE VII Board of Directors

Section 1. General Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Cal. Civ. Code, § 1350 et seq.) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Master Association shall be vested in and exercised by, the Master Association's Board of Directors. Subject to the limitations expressed in article X, section 1, the Board may delegate the management of the activities of the Master Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Master Association shall continue to be managed and all Master Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 2. Number and Qualification of Directors. The Board of Directors shall consist of seven (7) persons who, with the exception of those directors nominated by the Declarant, shall be Owners of Separate Interests whose memberships are in good standing with Assessments current and not

subject to any suspension. Declarant may nominate persons for election as directors of the Master Association, including without limitation, directors, officers, partners or employees of Declarant, regardless of whether or not the nominees are Owners.

As more particularly provided in article V, section 1(c), directors, other than the At-Large Directors, shall represent particular Delegate District Areas within the Properties and shall be elected to office by the votes of Members owning Separate Interests within their respective Delegate District Areas. With the exception of any At-Large Directors elected by the Class C Member, At-Large Directors shall be elected to represent Members owning Separate Interests within all residential Delegate District Areas.

Section 3. Initial Directors. The initial directors shall be elected by the Declarant upon incorporation of the Master Association and shall hold office until the first annual meeting of the Delegates to be held pursuant to article VI, section 2.

Section 4. Term of Office.

(a) Creation of Staggered Terms. At the first annual meeting of the Delegates and at each annual meeting thereafter, new directors shall be elected by written ballot to fill positions on the Board of those directors whose terms of office are then expiring. If the annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Delegates held for that purpose. Each director shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified (unless the director dies, resigns or is removed from office).

Commencing with the first annual meeting of the Delegates, four (4) directors shall be elected by the Class C Member for a term of two (2) years to represent the Commercial, Industrial, Town Center and At-Large Delegate District Areas. To the extent that no Commercial or Industrial Delegate Districts have been formed, the directors appointed to fill those positions shall be deemed to be At-Large Directors. The candidate(s) receiving the highest number of votes are elected, subject to any provision of these Bylaws specifying election by class.

Directors representing the Single Family, Multi-Family and Apartment Residential Delegate District Areas shall be elected by the Members of each of those Districts, with the director candidates receiving the highest number of votes cast by the non-Class C Members within each District classification being elected for a term of one (1) year.

At each annual meeting thereafter, new directors shall be elected to fill vacancies created by expiration of the terms of past directors. Following the first annual meeting, the term of office of each director elected to fill a vacancy created by the expiration of the term of office of the respective past director shall be for two (2) years. The term of office of any director appointed to fill a vacancy created by the resignation, death or removal of his or her predecessor shall be the balance of the unexpired term of the predecessor director. Until termination of the Class C Membership, a vacancy in the office of a director who was elected by Class C

Members shall be filled by the vote of the Class C Membership. Any person serving as a director may be reelected, Delegates shall be eligible to serve as directors and there shall be no limitation on the number of terms during which a director may serve.

(b) Special Rule for Election of Director by Class A Members. Notwithstanding the provisions of subparagraph (a) hereof, from the first election of the Board of Directors and thereafter for so long as the majority of the Voting Power of the Master Association resides in the Declarant, or so long as there are two outstanding classes of membership in the Master Association, not less than twenty percent (20%) of the incumbents on the Board shall have been elected solely by the votes of Owners other than the Declarant. In the event that the provisions of this subparagraph are not satisfied in any particular election of directors, those directors elected to office by virtue, in whole or in part, of the receipt of Declarant votes, and who received the least number of total votes shall resign to the extent necessary to create a sufficient number of vacancies on the Board to satisfy the twenty percent (20%) requirement noted above. Within thirty (30) days thereafter, a special meeting of the Class A Members shall be held for the purpose of electing persons to fill the vacancies on the Board of Directors thus created.

Any Owner otherwise eligible to serve on the Board who is not connected directly or indirectly with the Declarant ("Nonaffiliated Owner") shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Members other than the Declarant determine otherwise. The Nonaffiliated Owner(s) receiving the greatest number of votes cast by the Delegates representing Members other than Declarant shall be elected to the Board. The remaining members of the Board shall be elected through the customary voting procedure outlined above.

Section 5. Nomination of Directors. Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) Candidates Selected by Nominating Committee. At least ninety (90) days prior to the date of any election of directors, the president shall appoint a nominating committee to select qualified candidates for election to those positions on the Board of Directors held by directors whose terms of office are then expiring. If the only positions on the Board which are to be filled at the meeting are positions subject to appointment by the Class C Member, no nomination committee shall be required.

The nominating committee, if appointed, shall consist of a chairman, who shall be a member of the Board of Directors, and two or more Delegates representing those Districts which are represented by directors whose positions on the board will be open for election at the next annual meeting. The nominating committee shall make its report at least sixty (60) days prior to the date of the election, and the secretary shall forward to each Delegate, together with the notice of the meeting, a list of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled.

(b) Nominations from the Floor. At any meeting held to elect directors, any Delegate present at the meeting and entitled to vote in the election, may place names in nomination with respect to a seat on the board which is designated to represent the Delegate's District.

(c) Nomination by Petition. In any election conducted after the Master Association has more than 500 Class A Members, a person can become a candidate by filing with the secretary of the Master Association a petition in support of his or her candidacy signed by no less than ten percent (10%) of the Voting Power of Members who own Separate Interests within the Delegate District(s) which the candidate, if elected, will represent. When a person becomes a candidate by petition, he or she must announce the director position for which the candidate is running. The Member circulating the petition shall append his or her written certification to the petition attesting to the validity of the signatures of supporting Members. Persons signing the petition, must, themselves, be Class A Members in good standing, with all Assessments current. Candidate petitions must be filed with the secretary no later than thirty (30) calendar days and no earlier than fifty (50) calendar days prior to the scheduled election date.

(d) Good Standing Requirement. Except in the case of directors elected to office solely by the Class C Member, in order to be eligible for nomination and election to the Board, the Master Association secretary must certify that the candidate-Member is in good standing with the Master Association and is current in the payment of all Assessments on all Separate Interests owned by the candidate. Directors elected by the Class C Members are exempt from this requirement because such directors need not be Owners.

Section 6. Vacancies on Board of Directors.

(a) Vacancies, Generally. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation or removal of a director pursuant to subparagraphs (c) and (d) hereof; (ii) an increase of the authorized number of directors; or (iii) the failure of the Delegates, at any meeting of Delegates at which any director or directors are to be elected, to elect the number of directors to be elected at such meeting.

(b) Resignation of Directors. Except as provided in this subparagraph, any director may resign, which resignation shall be effective on giving written notice to the president, the secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she has (i) been declared of unsound mind by a final order of court; (ii) been convicted of a felony; or (iii) if the director fails to attend three consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law.

(d) Authority of Delegates to Remove Directors. Except as otherwise provided in subparagraphs (c), (e) and (f) hereof, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a majority of a quorum of the Voting Power of the Delegates within the Districts which elected the Director; provided, however that if there are less than fifty (50) Separate Interests within the Delegate District(s) which the director represents, the required vote for removal shall be a majority of the Voting Power of all Delegates within such Districts. Any director whose removal has been proposed by the Delegates, shall be given an opportunity to appear at the meeting and be heard before the vote is taken.

(e) Protection of Cumulative Voting Rights. Unless the entire Board of Directors is removed from office, no director who was elected to office through the use of cumulative voting (see article IV, section 4 hereof) may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all memberships entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

(f) Special Rule for Removal of the Class C Directors. Any director elected to office solely by the votes of the Class C Member may only be removed from office and the vacancy filled by the vote of the Class C Member.

(g) Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created by the removal of a director from office, in which case, the vacancy shall be filled by: (i) the Class C Member if the director was elected to office solely by the Class C Member; or (ii) in the case of the removal of any other director, by the affirmative vote of a majority of a quorum of the Delegates within the District(s) which were represented by the removed director. Furthermore, the Delegates of Districts which have a vacant director position which the directors are authorized to fill, may take action to fill the vacancy if the directors fail to act within a reasonable time after the vacancy is created. Any such action by the Delegates shall require the approval of a majority of a quorum of the Voting Power of the Delegates within the District(s) represented by the removed director.

(h) Reduction in the Number of Directors. No reduction of the authorized number of officers shall have the effect of removing any director before that director's term of office expires.

ARTICLE VIII Board Meetings

Section 1. Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within the Properties that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Master Association. Notwithstanding the above provisions of this section, a regular or special

meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

Section 2. Annual Meeting of Directors. Immediately following each annual meeting of Delegates, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 3. Other Regular Meetings. Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. Ordinarily, regular meetings shall be conducted at least monthly; provided, however, that regular meetings can be held as infrequently as every six (6) months if the Board's business does not justify more frequent meetings. Notice of the time and place of regular meetings shall be posted in a prominent place within the Association Property, and shall be communicated to the Board members not less than seventy-two (72) hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in section 7 of this article.

Section 4. Special Meetings of the Board.

(a) Who May Call a Special Meeting. Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two directors.

(b) Notice of Special Meetings.

(i) Manner of Giving. Notice of the time and place of special meetings of the Board shall be posted on the Association Property in the manner prescribed for notice of regular meetings of the Board and shall be given to each director by one of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; (C) by telephone communication, either directly to the director or to a person at the director's home or office who would reasonably be expected to communicate such notice promptly to the director; or (D) by telegram, charges prepaid. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Master Association. Notwithstanding the foregoing, notice of a meeting need not be given to any director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in section 7 of this article.

(ii) Time Requirements. Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least forty-eight (48) hours before the time set for the meeting.

(iii) Notice Contents. The notice shall state the time, place, and purpose of the meeting.

Section 5. Attendance by Members.

(a) Meetings Generally Open to Members. With the exception of executive sessions of the Board (see subparagraph (b), below), all meetings of the Board shall be open to Members of the Master Association; provided, however, that nondirector Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established.

(b) Executive Sessions. The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss litigation in which the Master Association is or may become a party, personnel matters or business of a similar nature. Prior to adjourning into an executive session, the topic(s) to be discussed in such session shall be announced, in general terms, to the Members in attendance at the meeting. Nothing provided herein shall be construed to obligate the Board to first call an open meeting before meeting in executive session with respect to the matters described above.

Section 6. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 8 of this article. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Corporation Law, especially those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles or by law.

Section 7. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Master Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the reconvened meeting shall be given prior to the time of the reconvened meeting to the directors who are not present at the time of the adjournment.

Except as hereinabove provided, notice of the reconvened meeting need not be given.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors.

If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Association Property within three (3) days after the written consents of all Board members have been obtained. Any written consent or consents of the Board shall be filed with the minutes of the proceedings of the Board.

Section 10. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX Duties and Powers of the Board

Section 1. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in article VII, section 1, the directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Master Association, the General Manager of the Master Association, if any, and other Master Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Master Association, and to fix their duties and to establish their compensation.

(d) Adopt and establish rules and regulations subject to the provisions of the Master Declaration, governing the use of the Association Property and associated facilities and roads within the Properties, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Association Property; provided notice and a hearing are provided as more particularly set forth in article XII, section 6 of the

Master Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and tenants.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Separate Interests within the Properties and the Association Property and the roads within the Properties.

(f) Contract for and pay premiums for fire, casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time by the Master Association.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor and services that may be required from time to time in relation to the Properties.

(h) Pay all taxes, special assessments and other assessments and charges which are or would become a lien on any portion of the Properties.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Properties which the Master Association is obligated to maintain and which have been damaged or destroyed and which are to be rebuilt.

(j) Delegate its duties and powers hereunder to the officers of the Master Association or to committees established by the Board, subject to the limitations expressed in section 1 of article X hereof.

(k) Levy and collect Assessments from the Members of the Master Association in accordance with article V of the Master Declaration, establish and collect reasonable use charges for any or all of the common facilities as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof, and establish and collect reasonable and uniform fees for the right of any Owner to build a "granny flat." (See article VI, section 2(a) of the Master Declaration).

(l) Perform all acts required of the Board under the Master Declaration.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Master Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in article XII, section 5 hereof.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board, and prescribe rules under which said nominating committee is to act, all as more particularly described in article VII, section 5 hereof.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Master Association in accordance with article X hereof.

(p) Fill vacancies on the Board of Directors or in any committee, except for a vacancy created by the removal of a Board member.

(q) Open bank accounts and borrow money on behalf of the Master Association and designate the signatories to such bank accounts.

(r) Bring and defend actions on behalf of more than one Member or the Master Association to protect the interests of the Members or the Master Association, as such, so long as the action is pertinent to the operations of the Master Association, and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in article XI, section 6 of the Master Declaration.

(s) Enter Separate Interests as necessary, subject to the notice requirements of the Master Declaration, in connection with construction, maintenance or emergency repairs for the benefit of the Association Property or the Owners in common.

Section 2. Limitations on Powers. Without the vote or written assent of Delegates representing a majority of the Voting Power, the Board of Directors shall not take any of the following actions:

(a) Enter into a contract with a third party for the furnishing of goods or services to the Association Property or the Master Association for a term longer than one (1) year. This restriction shall not apply to (i) FHA or VA approved management contracts; (ii) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty or liability insurance policies not to exceed three (3) years, provided the policies provide for short rate cancellation by the insured; or (iv) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration, provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) Incur aggregate expenditures for capital improvements to the Association Property in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that year.

(c) Sell during any fiscal year property of the Master Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year.

(d) Pay compensation to members of the Board of Directors or the officers of the Master Association; provided, however, that directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in carrying on the business of the Master Association.

(e) Fill any vacancy on the Board of Directors created by the removal of a director.

(f) Enter into a Separate Interest in a nonemergency situation unless the Owner is furnished with at least twenty-four (24) hours' written notice, except in the case of an emergency as more particularly described in article IV, section 3(g) of the Master Declaration.

ARTICLE X Committees

Section 1. Committees of Directors. In addition to the nominating committee appointed and constituted pursuant to article VII, section 4(a) of these Bylaws and the Design Review Committee appointed and constituted pursuant to the Master Declaration, the Board may, by resolution adopted by a majority of the directors then in office, designate one or more committees, each consisting of two or more Members (who may also be directors), to serve at the pleasure of the Board. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

(a) Take any final action on any matter which, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or on any committee which has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or the members of those committees.

(f) Expend Master Association funds to support a nominee for director after there are more people nominated for director than can be elected.

(g) Approve any transaction (i) to which the Master Association is a party and one or more directors have a material financial interest; or (ii) between the Master Association and one or more of its directors or between the Master Association or any person in which one or more of its directors have a material financial interest.

Section 2. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of article VIII of these Bylaws, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept

of each meeting of any committee and shall be filed with the Master Association records. The Board of Directors may adopt rules which are consistent with the provisions of these Bylaws for the governance of any committee.

ARTICLE XI Officers

Section 1. Officers. The officers of the Master Association shall be a president, a vice president, a secretary and a chief financial officer. The Master Association may also have, at the discretion of the Board, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of section 3 following. Any person may hold more than one office, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 2. Election of Officers. The officers of the Master Association, except such officers as may be appointed in accordance with the provisions of sections 4 and 7 following, shall be chosen annually by majority vote of the Board at the organization meeting of each new Board, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 3. Compensation. Officers, agents and employees shall receive such reasonable compensation for their services as may be authorized or ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Master Association's business unless such compensation is first approved by the vote of Delegates representing at least a majority of the Voting Power; and provided, further, that (a) nothing herein contained shall be construed to preclude any officer from serving the Master Association in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for his actual expenses incurred in the performance of such officer's duties. Appointment of any officer, agent, or employee shall not of itself create contractual or other rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation.

Section 4. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Master Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 5. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 6. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary

to make it effective. Any resignation is without prejudice to the rights, if any, of the Master Association under any contract to which the officer is a party.

Section 7. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 8. President. The president shall be elected by the Board from among the directors. He or she shall be the chief executive officer of the Master Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Master Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 9. Vice President. The vice president shall be elected by the Board from among the directors. In the absence or disability of the president, the vice president shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 10. Secretary. The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of the Board of Directors, Delegates and Members of the Master Association, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Board meetings, the number of Members/Delegates present in person or by proxy at Members' or Delegates' meetings, and the proceedings thereof. The secretary shall keep, or cause to be kept, appropriate current records showing the Delegates of the Delegate Districts, and the Members of the Master Association, together with their respective addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

Section 11. Chief Financial Officer. The chief financial officer shall be elected by the Board from among the directors. The chief financial officer, who shall be known as the treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Master Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any director or Member. The treasurer shall deposit all monies and other valuables in the name and to the credit of the Master Association with such depositaries as may be designated by the Board. He or she shall disburse the funds of the Master Association as may be ordered by the Board, shall render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial

condition of the Master Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the treasurer shall give the Master Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Master Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII
Member Assessment Obligations
and Master Association Finances

Section 1. Description of Assessments to Which Owners Are Subject. Owners of Separate Interests within the Properties are subject to Annual, Special and Special Individual Assessments as more particularly described in article V of the Master Declaration.

Section 2. Checks. All checks or demands for money and notes of the Master Association shall be signed by the president and treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Master Association reserve accounts shall require the signature of two directors or an officer (who is not also a director) and a director.

Section 3. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Properties.

Section 4. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as more particularly set forth in article V of the Master Declaration. All Master Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 5. Budgets and Financial Statements. The following financial statements and related information for the Master Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Master Association:

(a) Budget. A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year:

(i) Estimated revenue and expenses on an accrual basis;

(ii) The amount of the total cash reserves of the Master Association currently set aside for the future repair or replacement of, or addition to, those major components of the Association Property and associated facilities which the Master Association is obligated to maintain and for contingencies;

(iii) An estimate of the current replacement costs of, and the estimated remaining useful life of, and the methods of funding used to defray the future repair or replacement of, or additions to, those major components of the Association Property and associated facilities which the Master Association is obligated to maintain;

(iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing of reserves to defray the costs of repair, replacement or additions to major components of the Association Property and associated facilities which the Master Association is obligated to maintain.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Master Association's principal office and that copies will be furnished, upon request, to any Member at the Master Association's expense. If a Member requests a copy of the complete budget, the Master Association shall mail the material, via first class mail, within five (5) days. The notice required hereunder shall be presented on the front page of the summary of the budget in at least 10-point bold type.

(b) Year-End Report. Within one hundred twenty (120) days after the close of the fiscal year, a copy of the Master Association's year-end report consisting of at least the following shall be distributed to Members:

(i) A balance sheet as of the end of the fiscal year;

(ii) An operating (income) statement for the fiscal year;

(iii) A statement of changes in financial position for the fiscal year;

(iv) A statement advising Members of the place where the names and addresses of the current Members are located; and

(v) Any information required to be reported under section 8322 of the Corporations Code requiring the disclosure of certain transactions in excess of \$50,000 per year between the Master Association and any director or officer of the Master Association and indemnifications and advances to officers or directors in excess of \$10,000 per year.

A review of the financial statement of the Master Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Master Association exceeds \$75,000.00. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Master Association that the

statement was prepared without an audit from the books and records of the Master Association.

(c) Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement describing the Master Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments including the recording and foreclosing of liens against Members' Separate Interests.

(d) Review of Accounts. On no less than a quarterly basis, the Board of Directors shall:

(i) Review a current reconciliation of the Master Association's operating accounts;

(ii) Review a current reconciliation of the Master Association's reserve accounts;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the Master Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and

(v) Review the Master Association's income and expense statement for the operating and reserve accounts.

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

ARTICLE XIII Miscellaneous

Section 1. Inspection of Books and Records.

(a) Member Inspection Rights. All accounting books and records, minutes of proceedings of the Master Association, the Board and committees of the Board and the membership list of the Master Association shall at all times, during reasonable business hours, be subject to the inspection of any Member or his or her duly appointed representative at the offices of the Master Association for any purpose reasonably related to the Member's interest as such. Member's rights of inspection hereunder shall be exercisable on ten (10) days' written demand on the Master Association, which demand shall state the purpose for which the inspection rights are requested. Inspection rights shall be subject to the Master Association's right to offer a reasonable alternative to inspection within ten (10) days after receiving the Member's written demand (as more particularly set forth in section 8330 and following of the California Corporations Code).

(b) Director Inspection Rights. Every director shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Master Association and the physical properties owned by the Master Association. The right of inspection by a director includes the right to make extracts and copies of documents.

(c) Adoption of Reasonable Inspection Rules. The Board of Directors may establish reasonable rules with respect to (i) notice of inspection, (ii) hours and days of the week when inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by the Member.

Section 2. General Manager. The Board may, from time to time, employ the services of a manager or property management company to manage the affairs of the Master Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Master Declaration, provided that the general manager shall at all times remain subject to the general control of the Board.

Section 3. Roberts Rules of Order. In the event of a dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 4. Amendment or Repeal of Bylaws.

(a) Amendment Before Close of First Sale. Before the close of the first sale in the Properties to a purchaser other than Declarant, these Bylaws and any amendments to them may be amended in any respect or revoked by the execution by Declarant and any Mortgagee of record of an instrument amending or revoking the Bylaws together with any consents or approvals that may be required by the Department of Real Estate. The amending or revoking instrument shall make appropriate reference to these Bylaws and their amendments.

(b) Amendment After Close of First Sale. After the close of the first sale of a Separate Interest in the Properties to a purchaser other than Declarant, these Bylaws may be amended or revoked in any respect by the vote or assent by written ballot of Delegate representing not less than fifty-one percent (51%) of the voting rights of each class of Members. If a three-class voting structure is no longer in effect in the Master Association because of the conversion of Class B membership to Class A membership, as provided in the Master Declaration, any amendment hereof will require the vote or assent by written ballot of both (i) fifty-one percent (51%) of the total Voting Power of the Master Association; and (ii) the vote of fifty-one percent (51%) of the total votes other than Declarant. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

Section 5. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to

have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Master Association or the Board of Directors at the principal office of the Master Association as designated from time to time by written notice to the Members; if to a director, at the address from time to time given by such director to the secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the secretary for the purpose of service of such notice, or, if no such address has been so given, to the address of any Separate Interest within the Properties owned by such Member.

Section 6. Indemnification of Agents.

(a) Indemnification of Master Association. Each Owner shall be liable to the Master Association for any damage to the Association Property caused by the negligence or willful misconduct of the Owner of his or her family, guests, invitees or lessees, to the extent that the damage shall not be covered by insurance. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within any Residence owned by the indemnitor, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this section.

(b) Indemnification by Master Association of Directors and Officers. To the fullest extent permitted by law, the Master Association shall indemnify its directors, Delegates, Alternate Delegates and officers, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the Master Association, by reason of the fact that such person is or was a director, a Delegate, an Alternate Delegate or an officer. "Expenses," as used in this section, shall have the same meaning as in section 7237, subdivision (a) of the California Corporations Code.

(c) Approval of Indemnity by Master Association. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with section 7237, subdivision (e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237, subdivision (b) or section 7237, subdivision (c) has been met and, if it has, the Board shall authorize indemnification. The Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to the proceeding, the Board shall promptly call a meeting of the Delegates. At that meeting, the Delegates shall determine under section 7237, subdivision (e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237, subdivision (b) or section 7237, subdivision (c) has been met and, if it has, the Delegates shall circulate a written ballot among the Members to determine whether the Members shall authorize indemnification.

(d) Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a director, Delegate, Alternate Delegate or officer seeking indemnification under paragraphs (b) and (c) of this section in defending any proceeding covered by those sections shall be advanced by the Master Association before final disposition of the proceeding, on receipt by the Master Association of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Master Association for those expenses.

(e) Insurance. The Master Association shall have the power to purchase and maintain insurance on behalf of its directors, Delegates, Alternate Delegates and officers against other liability asserted against or incurred by any director, Delegate, Alternate Delegate or officer in such capacity or arising out of the individual's official status.

Section 7. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

CERTIFICATE OF SECRETARY

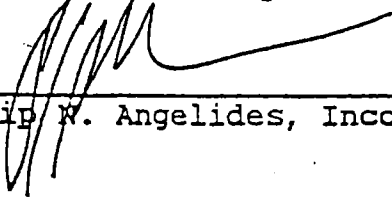
KNOW ALL MEN BY THESE PRESENTS:

The undersigned, secretary of the corporation known as Laguna West Association, does hereby certify that the above and foregoing Bylaws consisting of 38 pages, were duly adopted by written ballot of the Members of said Master Association on the 10th day of July, 1991, and that they now constitute said Bylaws.

LAGUNA WEST ASSOCIATION, a California
nonprofit mutual benefit corporation

By 
(Secretary)

IN WITNESS WHEREOF, for the purposes of forming this corporation under the laws of the State of California, the undersigned have executed these Articles of Incorporation this 14th day of May, 1990.



Philip N. Angelides, Incorporator

I hereby declare that I am the person who executed the above Articles of Incorporation, and such execution is my act and deed.



Philip N. Angelides

ADDENDUM
05/17/90

