

The notice shall specify the time and place of the meeting and the nature of the business to be conducted and shall be sent to all directors and posted in the manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to a director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 5.3. Quorum: A majority of the number of directors shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 5.4. Attendance by Other Members: Regular and special meetings of the Board shall be open to all Members of the Master Association provided, however, that Master Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by vote of a majority of a quorum of the Board.

Section 5.5. Executive Session: The Board may, upon vote of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Master Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in the executive session shall first be announced in the open session.

Section 5.6. Actions Without a Meeting: The Board of Directors may take actions and exercise those powers and duties specified in Article VI or otherwise authorized by these Bylaws or statute without a meeting if all of the Directors consent in writing to the action to be taken. If the Board of Directors resolves by unanimous written consent to take an action, an explanation of the action taken shall be posted in a prominent place or places within the Master Association Maintenance Area as the Directors may direct which is convenient to the Owners within three (3) days after the written consents of all Directors have been obtained.

## ARTICLE VI

### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 6.1. Powers: The Board of Directors shall have power to:

- (a) Suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment

of any assessment levied by the Master Association, or for a period not to exceed thirty (30) days for infraction of published rules and regulations, provided that (i) the Member to be suspended has been given at least fifteen (15) days' prior written notice of such action to be taken, which notice shall be given in the same manner as notice of special meetings of Members, and (ii) the Member to be suspended is given the right to be heard by the Board of Directors, orally or in writing, not less than five (5) days before the effective date of the suspension.

(b) Exercise for the Master Association all powers, duties and authority vested in or delegated to this Master Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporations, or the Master Declaration;

(c) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties. Any manager, agent or employee selected prior to the first annual election shall be employed to manage or work only until the first annual election after initial organization, at which time the continuance of the same or the selection of a new manager or agent shall be determined by the Board of Directors selected at the first annual election. In addition, the Master Association shall have the authority to delegate its power to committees, officers of the Master Association, or employees. All contracts of the Master Association, however, shall be limited in duration for a period of not more than one (1) year to be terminable by either party hereto without cause and without payment of a termination fee, upon ninety (90) days' written notice thereof and shall be terminable for cause on thirty (30) days written notice, except as follows:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(2) A contract with a public utility company if the rates charged for the 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.

(3) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured.

(4) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(5) 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.

(6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(d) Cause to be prepared and distributed to each Member:

(1) A pro forma operating statement (budget) for each fiscal year which shall be distributed not less than forty-five (45) days and not more than sixty (60) days before the beginning of the fiscal year containing at least the following information:

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

(ii) The amount of the total cash reserves of the Master Association currently available for replacement or major repair of common facilities and for contingencies.

(iii) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to, major components of the Master Association Maintenance Area.

(iv) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Master Association Maintenance Area.

(2) A balance sheet as of an accounting date which shall be the last day of the month nearest in

time to six (6) months from the date of closing of the first sale of a Condominium or Lot to a Member of the Master Association and an operating statement for an accounting period from the aforesaid date of first closing to the aforesaid accounting date which shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received or receivable itemized by Condominium or Lot number and by the name of the person or entity assessed;

(3) An annual report consisting of the following which shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(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) Any information required to be reported under Section 8322 of the Corporations Code of the State of California.

If such report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Master Association that the statements were prepared without independent audit or review from the books and records of the Master Association.

(4) A copy of an external audit prepared in accordance with generally accepted accounting principles by an independent public accountant licensed by the California State Board of Accountancy which shall be required for fiscal year financial statements (other than budgets) for any fiscal year in which the gross income to the Master Association exceeds \$75,000.00. The copy audit shall be distributed within one hundred twenty (120) days after the close of each fiscal year.

(5) In addition to financial statements, the governing body shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of 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 Member's subdivision interests.

Section 6.2: Duties: It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by the Delegates representing one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) Supervise all officers, agents and employees of this Master Association, and to see that their duties are properly performed;

(c) As more fully provided in the Master Declaration, to:

(1) Fix the amount of the annual assessment against each Condominium or Lot at least thirty (30) days in advance of each annual assessment period;

(2) Send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) Record a notice of assessment pursuant to Civil Code Section 1367 and foreclose the lien against any property for which assessments are not paid within thirty (30) days after the date a Notice of Delinquent Assessment has been mailed to the Owner or bring an action at law against the Owner personally obligated to pay the same.

(d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on property owned by the Master Association as required by the Master Declaration;

(f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) Appoint a paid manager responsible to the Board and delegate to such manager the authority to manage the Properties..

Section 6.3. Prohibitions: The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the total voting power of the Master Association and a majority of the votes of Members other than Declarant or any Participating Builders:

(a) Incurring aggregate capital expenditures in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year.

(b) Selling 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.

(c) Paying compensation to Members of the Board or to officers of the Master Association for services performed in the conduct of the Master Association's business provided, however, that the Board may cause a Member or officer to be reimbursed for expenses incurred in carrying on the business of the Master Association.

(d) Filling a vacancy on the Board of Directors created by the removal of a director.

(e) Initiate legal proceedings in a superior court of the State of California, except (1) an action to judicially foreclose an assessment lien pursuant to the Master Declaration, (2) an action to enforce Master Declaration, Bylaws, Articles of Incorporation, Rules and Regulations and the decisions of the Architectural Review Committee and/or Board of Directors, or (3) to cross-complain in any municipal or superior court action brought against the Master Association as a party defendant.

## ARTICLE VII

### OFFICERS AND THEIR DUTIES

Section 7.1. Enumeration of Officers: The officers of the Master Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and chief financial officer, and such other officers as the Board may from time to time by resolution create.