

the provisions of the Declaration governing all such matters (including, without limitation, Declarant's right to appoint the Declarant's Delegate and the special approval procedures for Voting Proposals and Specified Actions pursuant to Sections 4.4.1(iii), 4.5.1 and 4.5.2 of the Declaration) are specifically incorporated herein by reference.

2.2. Quorum.

The presence in person of Delegates representing at least twenty-five percent (25%) of the voting power of the Association constitutes a quorum of the Membership; provided that, if any action to be taken at any meeting of Delegates requires only the approval of Members in a particular Cost Center, then the presence in person of the Delegates representing at least twenty-five percent (25%) of the voting power of the Members in such Cost Center constitutes a quorum of the Membership for purposes of said approval. The Delegates present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Delegates to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of Delegates required to constitute a quorum (or such greater percentage of Delegates as may be required by the Restrictions for any specific action). Delegates must act personally at a meeting of the Delegates of the Association or by written ballot, and may not act by proxy.

2.3. Approval by Delegates.

If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter, is the act of the Delegates, unless the vote of a greater number or voting by classes is required by the Restrictions or applicable law. If, however, a meeting is actually attended by Delegates representing less than one-third (1/3) of the voting power of the Association, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the of the general nature of which was given pursuant to Section 3.5 hereof. As used in the Restrictions, reference to a specified percentage "of Delegates" shall mean the specified percentage of the voting power of the Membership in the Association which such Delegates represent.

ARTICLE III

3. Administration.

3.1. Association Responsibilities.

In accordance with the Declaration, the Association is responsible for administering, maintaining and repairing the Association Property, approving the annual Budget for the Properties, and establishing and collecting all assessments applicable to the Properties authorized pursuant to the Declaration.

### 3.2. Place of Meetings of Delegates.

Meetings of the Delegates shall be held on the Properties or such other suitable place in Orange County, as proximate thereto as practical and convenient to the Delegates, as designated by the Board.

### 3.3. Annual Meetings of Delegates.

The first annual meeting of Delegates shall be held within six (6) months after the first Close of Escrow for the sale of a Lot or Condominium in the Properties. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. Each first Mortgagee may designate a representative to attend all annual meetings. The annual meetings of the Delegates shall be open to attendance by all Members and Mortgagee representatives to the extent of the permissible capacity of the meeting room.

### 3.4. Special Meetings of Delegates.

The President shall call a special meeting of the Delegates, as directed by resolution of a majority of a quorum of the Board, or upon receipt of a petition signed by at least two (2) Delegates representing in the aggregate not less than five percent (5%) of the Association's total voting power. The Secretary shall give notice of any special meeting within thirty (30) days after adoption of such resolution or receipt of such petition. The notice must state the time and place of such meeting and the purpose thereof. The special meeting must be held not less than sixty (60) days nor more than ninety (90) days after adoption of such resolution or receipt of such petition. No business may be transacted at a special meeting except as stated in the notice. Each first Mortgagee may designate a representative to attend all special meetings. The special meetings of the Delegates are open to attendance by all Members and by Mortgagee representatives to the extent of the permissible capacity of the meeting room.

### 3.5. Notice of Meetings.

The Secretary must send a notice of each annual or special meeting to each Delegate of record, to the Class C Member (if Directors are to be elected at such meeting), and to each first Mortgagee who has filed a written request for notice with the Secretary, by personal delivery or by first-class mail, at least thirty (30) but not more than sixty (60) days prior to such meeting. The notice must specify those Voting Proposals which are to be presented for action by the Delegates, as well as the day, hour and place where the meeting is to be held, and may set forth time limits for speakers and procedures for the meeting. The notice of any meeting of Delegates may be included with the notice of the Voting Proposal furnished to the Delegate District Members pursuant to Section 4.5.3(i) of the Declaration and, in the case of meetings at which Directors are to be elected (i) must set forth the procedures for nominating candidates for the Board, and (ii) must specify that cumulative voting procedures must be followed for the election of Directors where more than one (1) vacancy is being filled. Nominations of candidates for the Board from the floor of the meeting of Delegates are not permitted. Prior to commencing the meeting of Members within a Delegate District pursuant to Section 4.5.3 of the Declaration, the Secretary of the Association shall furnish the chairman of the Delegate District Membership meeting with a list of all Persons whose names have been placed in nomination for election to the Board. The notice of a meeting of Delegates shall be considered served two (2) business

days after such notice has been deposited in a regular depository of the United States mail postage prepaid. Such notice shall be deemed served upon any Delegate upon posting in a conspicuous place on the Association Property if no address has been furnished the Secretary.

Notwithstanding any other provision of these Bylaws, approval by the Delegates of any of the following Voting Proposals, other than by unanimous approval of Delegates representing all of the voting power of the Association, is not valid unless the general nature of the Voting Proposal was stated in the notice to the Delegates (and the notice to Members given pursuant to Section 4.5.3(i) of the Declaration): (a) removing a Director without cause; (b) filling vacancies on the Board; (c) approving a contract or transaction between the Association and one or more Directors, or between the Association and any entity in which a Director has a material financial interest; (d) amending the Articles; or (e) electing to wind up and dissolve the Association.

### 3.6. Adjourned Meetings.

If any meeting of Delegates cannot be organized because a quorum is not present, Delegates representing a majority of the voting power who are present may 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. Such an adjourned meeting may be held without the notice required by Section 3.5 if notice thereof is given by announcement at the meeting at which such adjournment is taken.

### 3.7. Order of Business.

Meetings of Members must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. The order of business at all Delegate meetings is as follows: (a) appointment of inspector of election; (b) roll call to determine the voting power represented at the meeting; (c) proof of notice of meeting or waiver of notice; (d) reading of minutes of preceding meeting; (e) reports of officers; (f) reports of committees; (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of Delegates shall be chaired by one of the officers of the Association, in order of their authority.

### 3.8. Action By Written Ballot.

Any action which may be taken at a meeting of the Delegates (except for election of Directors) may be taken without a meeting by written ballot of the Delegates. Ballots must be solicited in the same manner as provided in Section 3.5 for the giving of notice of meetings of Delegates. Such solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, (c) the time by which ballots must be received in order to be counted, and (d) that in order to be effective, the ballot must contain the Delegate's certification of the information required pursuant to Section 4.5.4 of the Declaration. The form of written ballot must (i) afford an opportunity to specify the number of Instructed Votes cast for "approval" and "disapproval" of each matter, (ii) provide that the Instructed Votes shall be cast in accordance therewith, (iii) contain spaces for the Delegate's certification of the information required pursuant to Section 4.5.4 of the Declaration, and (iv) provide that the Absentee Votes represented by such Delegate must be cast in the manner

specified in Subsection 4.5.1(ii) of the Declaration. A matter shall be approved by written ballot upon receipt within the time period specified in the solicitation of both (A) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (B) a number of approvals which exceeds or equals the number of votes which would be required for approval if the action were taken at a meeting.

3.9. Minutes, Presumption of Notice.

Minutes or a similar record of the proceedings of meetings of Delegates, when signed by the President or Secretary, are presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given is prima facie evidence that such notice was given.

ARTICLE IV

4. Board of Directors.

4.1. Number and Qualification.

The property, business and affairs of the Association shall be governed by a Board of Directors which initially consists of three (3) persons. The authorized number of Directors may be increased to five (5) when the Board adopts a resolution approving an increase in the authorized number of Directors. An increase in the authorized number of Directors provided for in the immediately preceding sentence is effective as of the annual meeting of Delegates immediately following the date on which the resolution is adopted by the Board. Any other change in the authorized number of Directors requires an adopted amendment to the Bylaws. All Directors, except for those appointed and serving as first Directors, must either be (i) an Owner of a Lot or Condominium in the Properties, or (ii) an agent of Declarant or an agent of a Merchant Builder for so long as Declarant or a Merchant Builder owns a Lot or Condominium in the Properties or any portion of the Annexable Area. Directors may not receive any salary or compensation for their services as Directors, unless such compensation is first approved by the vote of Delegates representing at least a majority of the Association voting power; provided that (a) nothing in these Bylaws precludes any Director from serving the Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for actual expenses incurred in performance of Association duties.

4.2. Powers and Duties.

Subject to the limitations in the Declaration and these Bylaws, the Board has the powers and duties necessary to administer the Association's affairs and may do all acts and things not by law, the Declaration or these Bylaws prohibited to the Association or directed to be exercised and done exclusively by the Members acting through the Delegates. Subject to the provisions of Section 4.4, the Board may not enter into any contract with a third person wherein the third person will furnish goods or services for the Association Property or to the Association for a term in excess of one (1) year, without the vote of Delegates representing a majority of the Association voting power, except for (a) a contract with a public utility company for a term that does not exceed the shortest term for which the public utility company will contract at the