

Property (or Maintenance Areas) for a specified period of time during which said contractors or sub-contractors shall perform such maintenance, the Master Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors shall not serve to postpone the commencement of Assessments pursuant to this Master Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such Assessments.

(d) Character of Improvements to Master Association Property; Disputes. The nature, design, quality and quantity of all Improvements to the Master Association Property and Maintenance Areas shall be determined by Declarant in its sole discretion. The Master Association shall be obligated to accept title to the Master Association Property and undertake all maintenance responsibilities for the Master Association Property and Maintenance Areas as provided herein. In the event that a dispute arises between Declarant (and/or the Merchant Builders) and the Master Association with respect to the nature, design, quality or quantity of the Improvements, or the acceptance of maintenance responsibilities therefor, the Master Association shall be obligated to accept title to the Master Association Property and to undertake maintenance responsibilities pending resolution of the dispute in accordance with the provisions of this Master Declaration.

ARTICLE IV

THE MASTER ASSOCIATION

Section 1. Membership. Every Owner (including Declarant and each Merchant Builder) shall be a Member of the Master Association. Each Class A Member's membership in the Master Association shall be appurtenant to the Lot or Condominium owned by such Member and shall not be assignable, except to the person or

entity to whom the title to such Lot or Condominium has been transferred. Ownership of a Lot or Condominium shall be the sole qualification for Class A membership in the Master Association. Membership in any Sub-Association is separate and in addition to membership in the Master Association.

Section 2. Classes of Membership. The Master Association shall have three (3) classes of voting membership, as follows:

Class A. Initially, the Class A Members shall be all of the Owners other than Declarant and the Merchant Builders. Upon the conversion of the Class B membership as provided below, Declarant and each Merchant Builder shall become a Class A Member as to those Lots and Condominiums which they own and which are subject to the levy of Assessments by the Master Association. The Class A Members who own a Lot or Condominium which is subject to the levy of Assessments are entitled to one (1) vote for such Lot or Condominium. When more than one (1) person holds an ownership interest in a Lot or Condominium, all such persons shall be Class A members. The vote for such Lot or Condominium shall be exercised as such Owners determine among themselves, but in no event shall more than one (1) vote be cast with respect to any Lot or Condominium. The Master Association shall recognize the vote cast by a co-Owner, unless another co-Owner shall cast a conflicting vote, in which case both votes shall be null and void and not recognized by the Master Association.

Class B. The Class B Member shall be Declarant and the Merchant Builders. Except as provided in Sections 3 and 4 below, each Class B Member shall be entitled to three (3) votes for each Lot or Condominium it owns in the Community which is subject to the levy of Assessments. The Class B membership shall cease and shall be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) When seventy five percent (75%) of the estimated total number of Lots and Condominiums proposed for the overall Community (i.e., approximately four hundred [400] Lots and Condominiums x 75% equals approximately three hundred [300] Lots and Condominiums) have been conveyed to Class A Members;

(b) The fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Community; or

(c) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot in the first Phase of the Community.

Class C. The Class C Member shall be the Declarant, without regard to whether Declarant is the Owner of a Lot or Condominium in the Community. The Class C Membership shall not be considered 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 members of the Board which the Class C Member is entitled to elect hereunder and in the ByLaws. The Class C Member shall be entitled to solely elect a majority of the members of the Board until the first to occur of the following events:

(a) When seventy five percent (75%) of the estimated total number of Lots and Condominiums proposed for the overall Community (i.e., approximately four hundred [400] Lots and Condominiums X 75% equals approximately three hundred [300] Lots and Condominiums) have been conveyed to Class A Members;

(b) The fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the original issuance by the DRE of the most

recently issued Final Subdivision Public Report for a Phase of the Community; or

(c) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot pursuant to the Final Subdivision Public Report issued by the DRE for the first Phase of the Community.

Unless a specific provision of this Master Declaration or the Articles requires the approval of a greater percentage of the voting membership, any action taken by the Master Association which must have the approval of the membership of the Master Association before being undertaken shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A membership, so long as both the Class A and Class B membership shall exist. Notwithstanding the foregoing, any action by the Master Association, pursuant to the Article herein entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Members, other than Declarant.

Section 3. Assignment of Merchant Builder Voting Rights. Unless otherwise expressly agreed to in a writing executed by Declarant and a Merchant Builder and such writing is delivered to the Secretary of the Master Association, each Merchant Builder irrevocably assigns to Declarant all Class A and Class B voting rights to which such Builder would be entitled to hereunder and the ByLaws, and all such voting rights shall be exercised solely by Declarant, as Declarant may deem appropriate in its sole and absolute discretion.

Section 4. Special Voting Procedures for Election of Directors. So long as the Class B or Class C memberships shall remain in effect, the Class A Members shall be entitled to solely elect at least twenty percent (20%) of the members of the Board.

Section 5. Record Dates. The Board may fix, in advance, record dates for the purpose of determining Members entitled to notice of any meetings of the Members of the Master

Association, and to vote or to otherwise exercise any other rights in respect of any lawful action by the Master Association.

Section 6. Vesting of Voting Rights. The voting rights attributable to a Lot or Condominium in the Community shall not vest until the Assessments provided for in this Master Declaration have been levied by the Master Association against such Lot or Condominium.

Section 7. Adjustment of Voting Rights. The voting rights in the Master Association shall be adjusted on the first day of the month immediately following the first Close of Escrow for the sale of a Lot or Condominium in each subsequent Phase of the Community.

Section 8. Suspension of Voting Rights. As more particularly set forth in the Article herein entitled "General Provisions," after Notice and Hearing, the Board shall have the authority, among other things, to suspend the voting rights of any Member to vote at any meeting of the Members for any period during which such Owner is delinquent in the payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay the Assessments provided for in this Master Declaration.

Section 9. Transfer. The Master Association membership held by any Owner of a Lot or Condominium shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Lot or Condominium. In the event of such sale, the Master Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot or Condominium, or to the Mortgagee (or third party purchaser) of such Lot or Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Master Association. The Master Association may levy a reasonable transfer fee against new Owners (which fee shall be a Compliance Assessment chargeable to such new Owner) to

reimburse the Master Association for the actual administrative cost of transferring the memberships to the new Owners on the records of the Master Association.

Section 10. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (a) the conveyance by the Owner of his Lot or Condominium; (b) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of issuance of the proxy; or (c) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy. Any form of proxy or written ballot distributed to the membership of the Master Association shall afford an Owner the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon at the meeting for which said proxy was distributed, except it shall not be mandatory that a candidate for election to the Board be named in the proxy. A proxy or written ballot shall provide that, where the Owner specifies a choice, the vote shall be cast in accordance with that choice. In addition, the proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it shall be valid.

ARTICLE V

POWERS AND DUTIES OF THE MASTER ASSOCIATION

Section 1. Management Body. The Master Association is hereby designated as the management body of the Community, and the affairs of the Master Association shall be managed by the Board in accordance with the Master Association Documents. The initial Board shall be appointed by the incorporators or their successors.