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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
VILLAGE COTTAGES HOMEOWNERS ASSOCIATION
AND DESIGNATION OF
ALISO VIEJO COMMUNITY ASSOCIATION DELEGATE DISTRICT NO. 93

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
VILLAGE COTTAGES HOMEOWNERS ASSOCIATION
AND DESIGNATION OF
ALISO VIEJO COMMUNITY ASSOCIATION DELEGATE DISTRICT NO. 93

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR VILLAGE TOWNHOMES MAINTENANCE CORPORATION AND DESIGNATION OF ALISO VIEJO COMMUNITY ASSOCIATION DELEGATE DISTRICT NO. 93 (the "Declaration") is made this 3rd day of October, 1997, by AV PARTNERSHIP, a California general partnership. AV PARTNERSHIP, a California general partnership, its successors and assigns shall hereinafter be referred to as "Declarant."

R E C I T A L S:

A. Declarant is the owner of certain real property in the County of Orange, State of California, as described in Exhibit "A" attached hereto and incorporated herein by this reference ("Phase 1 of the Property").

B. Declarant intends to develop on Phase 1 of the Property a statutory airspace condominium project containing twenty (20) units, together with such additional units as may be annexed thereto pursuant to the terms of this Declaration. This condominium project will be a Common Interest Development in accordance with California Civil Code Section 1353(a).

C. Declarant desires to divide the Property and improvements thereon into a Condominium Project, as defined in Sections 783 and 1351(f) of the California Civil Code, in accordance with the recorded Condominium Plan for the "Project" as hereinafter defined. The development of the Project will be consistent with the overall development plan submitted to and approved by the Department of Veteran's Affairs.

D. This is a "Common Interest Development" which is comprised of a "Condominium Project" and a "Planned Development" as such terms are defined in California Civil Code Section 1351 for which Declarant intends to impose upon the Property, as hereinafter defined, mutually beneficial restrictions under a general plan or scheme in accordance with California Civil Code Section 1353(a) designed to benefit and enhance the value of the Property.

E. Declarant will hereafter hold and convey title to all or any portion of the Property subject to certain protective covenants, conditions and restrictions hereinafter set forth.

NOW, THEREFORE, Declarant hereby declares and does hereby establish that the Property, including any improvements added or constructed on or about the Property in the future, shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, covenants and conditions, for the purposes of creating the Condominium Project and of mutually benefiting the Property, the Project and all of the Units, and the future owners thereof. All of the restrictions, covenants and conditions set forth herein shall run with the land, shall be enforceable equitable servitudes, unless unreasonable, and shall be binding upon all parties having or acquiring any right, title or interest in the Property, and shall be for the benefit of each owner of any portion of the Property, or any interest therein, and shall inure to the benefit of and be binding upon each successor in interest of the Owner thereof.

F. In addition to this Declaration, the Property is also subject to the Community Declaration as such term is defined hereinbelow, to which this Declaration is subject and subordinate.

ARTICLE I

DEFINITIONS

The following terms used in these covenants, conditions and restrictions shall be applicable to this Declaration and are defined as follows:

Section 1. Annexable Area. The term "Annexable Area" shall mean and refer to all or any portion of the real property described in Exhibit "B" attached hereto and incorporated herein by this reference which may be annexed to the Property pursuant to the terms of the Article of this Declaration entitled "ANNEXATION."

Section 2. Architectural Committee. The terms "Architectural Committee" or "Committee" shall mean and refer to the Architectural Committee created pursuant to the Article of this Declaration entitled "Architectural Control."

Section 3. Architectural Standards. The term "Architectural Standards" shall mean and refer to the guidelines created by the Architectural Committee to govern design standards, criteria, procedures, rules and instructions adopted or to be adopted by the Architectural Committee, as such Architectural Standards may be amended or supplemented from time to time pursuant to the Article of this Declaration entitled "Architectural Control." Architectural Standards include criteria established by the County for the purpose of uniformly enhancing and protecting the attractiveness and desirability of the Properties.

Section 4. Articles of Incorporation. The term "Articles of Incorporation" or "Articles" shall mean and refer to shall mean the Articles of Incorporation of the Association.

Section 5. Association. The term "Association" shall mean and refer to VILLAGE COTTAGES HOMEOWNERS ASSOCIATION, a nonprofit mutual benefit corporation, its successors and assigns. The Association is an "Sub-Association" as such term is defined in the Community Declaration.

Section 6. Association Maintenance Areas. The term "Association Maintenance Areas" shall mean and refer to certain Improvements which are located in the exterior portion of the Units which shall include the exterior portion of fences or walls abutting the Association Property as further described in the Section entitled "Party Walls and Fences" of the Article entitled "EASEMENTS," Drainage Facilities, mailboxes, and related facilities, as provided in the Association operating budget approved by the California Department of Real Estate. The Association shall have a nonexclusive easement for maintenance purposes over the Association Maintenance Areas; provided, however, that the Association, acting through the Board, may reasonably restrict access to the Association Maintenance Areas. Additional Association Maintenance Areas to be added with a

subsequent Phase to the Properties pursuant to the Article of this Declaration entitled "ANNEXATION" may be generally depicted on an Exhibit to the Supplementary Declaration for the annexation of such Phase. Unless otherwise approved by the Board, the Association shall only be required to maintain such portions of the Project designated as Association Maintenance Areas as have been included in the budget for the Association as reviewed by the California Department of Real Estate in connection with the issuance of a Public Report for each Phase of the Development.

Section 7. Association Management Documents. The term "Association Management Documents" shall mean and refer to the Articles of Incorporation and Bylaws for the Association, this Declaration, any Supplementary Declarations, the Architectural Standards and Association Rules, if any, and any amendments to the foregoing.

Section 8. Association Property. The term "Association Property" shall mean and refer to all of the real and personal property and Improvements to which the Association shall hold title in fee or by easement for the common use and enjoyment of the Members as provided herein. The Association Property to be owned by the Association at the time of conveyance of the first Unit shall mean that certain real property as described and set forth in Exhibit "C" attached hereto and incorporated herein by this reference. Association Property shall be conveyed to the Association prior to or concurrently with the conveyance of the first Unit in the Project. The Association Property shall also include the Association Maintenance Areas.

Section 9. Association Rules. The term "Association Rules" shall mean and refer to rules and regulations adopted, amended and repealed from time to time by the Board pursuant to the Section of the Bylaws entitled "Association Rules; Enforcement" of the Article entitled "MEMBERS."

Section 10. Best Management Practices. The term "Best Management Practices" shall mean and refer to the criteria established by the County to provide appropriate stormwater pollution control related to the Project's structural and non-structural facilities in compliance with the 1990 National Pollutant Discharge Elimination System.

Section 11. Board of Directors. The term "Board of Directors" or "Board" shall mean and refer to the duly elected Board of Directors of the Association.

Section 12. Bylaws. The term "Bylaws" shall mean and refer to the Bylaws of the Association.

Section 13. Common Area. The term "Common Area" shall mean and refer to the entire Common Interest Development, except the separate interests therein and the Association Property.

Section 14. Community Association. The term "Community Association" shall mean and refer to the ALISO VIEJO COMMUNITY ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns. The powers and duties of the Community Association are more particularly set forth in the Community Declaration and in the Bylaws of the Community Association. Each Owner of a Condominium in the Properties shall be a member of the Community Association as well as a member of the Association.

Section 15. Community Declaration. The term "Community Declaration" shall mean and refer to that certain Declaration of Covenants, Conditions and Restrictions for ALISO VIEJO COMMUNITY ASSOCIATION. The Community Declaration was recorded on April 6, 1982 as Instrument No. 82-118353, Official Records of Orange County, California. The Community Declaration is binding upon all Owners of Condominium Units within the Property presently covered by the Community Declaration.

Section 16. Condominium. The term "Condominium" shall mean and refer to an estate in real property as defined in the California Civil Code Section 1351(f) and shall consist of an undivided interest as tenant-in-common in the Common Area coupled with a separate interest in space called a Unit, the boundaries of which are described on a Condominium Plan.

Section 17. Condominium Plan. The term "Condominium Plan" shall mean and refer to each Condominium Plan to be recorded for each Phase of the Project, consisting of (a) a description or survey map of a Condominium Project which shall refer to or show monumentation on the ground, (b) a three-dimensional description of a Condominium Project, one or more dimensions which may extend for indefinite distance upwards or downwards with sufficient detail to identify the Common Area, the Association Property and each separate interest, and (c) a certificate consenting to the recordation of the Condominium Plan pursuant to the Davis-Sterling Common Interest Development Act and acknowledged by the record owner of fee title to the property included in the Condominium Project. This certificate shall also be signed and acknowledged by the Trustee or beneficiary of each recorded Deed of Trust and the Mortgagee of each recorded Mortgage encumbering the property.

Section 18. County. The term "County" shall mean and refer to the County of Orange, State of California.

Section 19. County Household Hazardous Materials Collection Program. The term "County Household Hazardous Materials Collection Program" shall mean and refer to that certain water program adopted by the Orange County Board of Supervisors, as may be amended from time to time, which shall include, but not be limited to, items which are considered household hazardous materials, procedures for safe disposal and the location of the regional collection centers, which program is on file with the Orange County Environmental Management Agency.

Section 20. County Management Guidelines for Use of Fertilizers and Pesticides. The term "County Management Guidelines for Use of Fertilizers and Pesticides" shall mean and refer to that certain program implemented, and as may be amended from time to time, by the County of Orange and on file with the Orange County Environmental Management Agency.

Section 21. County Water Conservation Resolution. The term "County Water Conservation Resolution" shall mean and refer to that certain water conservation program adopted by the Orange County Board of Supervisors, as may be amended from time to time, on file with the Orange County Environmental Management Agency.

Section 22. Declarant. The term "Declarant" shall mean and refer to AV PARTNERSHIP, a California general partnership and its successors and assigns, including the successors and assigns of AV PARTNERSHIP, a California general partnership with respect to any property which may be annexed to this Declaration pursuant to the Article in this Declaration entitled "Annexation".

Section 23. Delegate. The term "Delegate" shall mean and refer to a natural person selected by the Members of a Delegate District, pursuant to the provisions of the Community Declaration, to represent all such Members and to vote on their behalf.

Section 24. Delegate District. The term "Delegate District" shall mean and refer to Delegate District No. 93 of the Community Association, as hereby established pursuant to the Community Declaration. Units or lots included in this Delegate District shall include the Properties and shall also include all real property which is annexed to this Declaration pursuant to the provisions of the Article of this Declaration entitled "ANNEXATION".

Section 25. Drainage Facilities. The term "Drainage Facilities" shall mean and refer to designated drainage facilities, including, but not limited to, pipes, catch basins, clean-outs and other appurtenant facilities, located in, on and under the surface of the rear Yard and exterior portions of the Dwelling of certain Units within the Project to accommodate drainage waters from other Units and the Association Property. The approximate location of the Drainage Facilities within a Phase of the Project shall be shown and designated on the Condominium Plan affecting such Phase of the Project. Additional Drainage Facilities which are not shown on the Condominium Plan may be shown on an exhibit to the Supplementary Declaration for such Phase.

Section 26. Dwelling. The term "Dwelling" shall mean and refer to each residential dwelling unit, garage and other building located within the boundaries of a Unit.

Section 27. Exclusive Use Association Property Driveways. The term "Exclusive Use Association Property Driveways" shall mean and refer to those portions of the Association Property which are designated by this Declaration or on a Supplementary

Declaration for the exclusive use of one (1) or more but fewer than all the Owners of the Units, and which is or will be appurtenant to the Unit. The Exclusive Use Association Property Driveways are identified for this Phase of the Properties on Exhibit "D" attached hereto and incorporated herein by this reference.

Section 28. Federal Agencies. The term "Federal Agencies" shall mean and refer to any of the following agencies to the extent that any such agency is a Mortgagee, owner, insurer or guarantor of a Mortgage within the Property: FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), and GNMA (Government National Mortgage Association).

Section 29. FHA. The term "FHA" shall mean and refer to the Federal Housing Administration.

Section 30. Final Subdivision Public Report. The term "Final Subdivision Public Report" or "Public Report" shall mean and refer to the report issued by the California Department of Real Estate pursuant to Section 11018.2 of the California Business and Professions Code.

Section 31. Improvement. The term "Improvement" shall mean and refer to any structure or appurtenance thereto of every type and kind, including but not limited to buildings, walkways, sprinkler pipes, garages, room additions, patio covers, swimming pools, spas, recreational facilities, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, screens, antenna, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water softening fixtures or equipment, and the installation, alteration (which shall include change of material, exterior appearance, color or texture), removal, or replacement thereof.

Section 32. Member. The term "Member" shall mean and refer to each person entitled to membership in the Association as provided in this Declaration and in the Association's Articles of Incorporation and Bylaws.

Section 33. Module. The term "Module" shall mean and refer to a separate three-dimensional airspace envelope shown and designated on a Condominium Plan as a "Module" depicting Association Property, Common Area or a Unit.

Section 34. Mortgage or Mortgagee. The terms "Mortgage" or "Mortgagee" shall mean and refer to respectively any duly recorded and valid mortgage or deed of trust encumbering a Condominium and the holder of the mortgagee's or beneficiary's interest under any such Mortgage. The term "First Mortgage" and "First Mortgagee" shall mean and refer respectively to a Mortgage which has priority over all other Mortgages encumbering a specific Condominium and the holder of any such First Mortgage. The term "First Mortgagee" shall also include the insurer or guarantor of a First Mortgage, if applicable.

Section 35. Owner. The term "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to a Condominium which is a part of the Property, including Declarant, but excluding those having such interest merely as security for the performance of an obligation. If a Condominium has been sold under a land sale contract in which the State of California is the vendor, then the vendee shall be deemed to be the Owner of such Condominium. If a Condominium is leased by Declarant for a term in excess of ten (10) years, and the lease or memorandum thereof is recorded, the lessee or transferee of the leasehold interest, and not the Declarant, shall be deemed to be the Owner. If fee title to a Condominium is owned other than by Declarant, the Owner of the fee title and not the lessee of such Condominium shall be deemed the Owner regardless of the term of the lease.

Section 36. Phase. The term "Phase of the Development", "Phase of the Project" or "Phase of the Property" shall mean and refer to the real property identified by this Declaration, being Phase 1 of the Property, and each additional increment of the Property as shall be identified by a Supplementary Declaration of Covenants, Conditions and Restrictions to be recorded pursuant to the terms of the Article of this Declaration entitled "ANNEXATION," and for which a Condominium Plan shall be recorded.

Section 37. Project. The term "Project" shall mean and refer to the real property and all improvements located on Lot 1 of Tract No. 15454 and the Annexable Area when annexed to this Declaration pursuant to the provisions of the Article of this Declaration entitled "ANNEXATION." The term Project shall also include the term Property where the context in which it is used has the same meaning.

Section 38. Property. The term "Property" shall mean and refer to that certain real property described in Exhibit "A" attached hereto and incorporated herein by this reference. The term "Property" shall also include all real property which is annexed to this Declaration pursuant to the provisions of the Article of this Declaration entitled "ANNEXATION."

Section 39. Reconstruction Assessment. The term "Reconstruction Assessment" shall mean and refer to a charge against each Owner and their Condominium representing a percentage portion of the total cost to the Association for reconstruction of any portion or portions of the Association Property or Common Area pursuant to the provisions of this Declaration. All Reconstruction Assessments for purposes of raising funds for the rebuilding or major repair of the structural Association Property of the Project shall be levied equally upon each Unit.

Section 40. Regular Assessment. The term "Regular Assessment" shall mean and refer to the amount which is to be paid by each Owner to the Association for common expenses as provided by the terms of this Declaration.

Section 41. Reimbursement Assessment. The term "Reimbursement Assessment" shall mean and refer to a charge against an Owner for the purpose of reimbursing the Association for any costs incurred by the Association on behalf of an individual Owner or for purposes of collecting any monetary penalties which may be imposed by the Association against an Owner as a disciplinary measure for failure of the Owner to comply with provisions of this Declaration, the determinations of the Board or the Architectural Committee, or any rule or regulation adopted by the Association.

Section 42. Residence. The term "Residence" shall mean and refer to the Unit, together with any Exclusive Use Association Property Driveways, appurtenant thereto.

Section 43. Special Assessment. The term "Special Assessment" shall mean and refer to a charge against each Owner and their Unit, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Association Property or Common Area which the Association may from time to time authorize pursuant to the provisions of this Declaration. In the event the Association undertakes to provide materials or services which benefit a particular Owner, such Owner, in accepting such materials and services, agrees that the cost thereof shall also be a Special Assessment.

Section 44. Supplementary Declaration. The term "Supplementary Declaration" shall mean and refer to a document annexing additional property and extending the plan of this Declaration to such additional property.

Section 45. Unit. The term "Unit" shall mean and refer to a separate interest in space as defined in California Civil Code Sections 1351(f) and 1351(l)(2). Each of the Units shall be a separate freehold estate as separately shown, numbered and designated on the Condominium Plan. The Units in Phase 1 of the Project are numbered 12 through 19 and 24 through 35. A Unit consists of all those separate interests in space shown and identified on the Condominium Plan as being part of such Unit and all Improvements, within such airspace areas, including, without limitation, the Dwelling, Yard areas, bearing walls, columns, floors, roof, foundations windows, central heating and other central services, pipes, ducts, flues, chutes, conduits, wires and other utility installations, wherever location within the Unit. Unless otherwise designated, the boundaries of each Unit shall be the centerline of the Unit boundary as shown and designated on the Condominium Plan.

Section 46. VA. The term "VA" shall mean and refer to the Department of Veterans Affairs.

Section 47. Water Quality Management Plan. The term "Water Quality Management Plan" shall mean and refer to the plan and practices adopted for the project as approved by the County in order to promote water quality and conservation in connection with the County Water Conservation Resolution.

Section 48. Yard. The term "Yard" or "yard" as used herein shall mean and refer to the private front yard area, rear yard area or side yard area within the boundaries of a Unit.

ARTICLE II

CREATION OF CONDOMINIUMS

Section 1. Designation of Condominiums. Declarant, in order to establish a plan of Condominium ownership for the Project, hereby covenants and agrees that it hereby divides the Project into the following:

(a) Twenty (20) designated and legally described Units which are shown, defined and described on the recorded Condominium Plan for Phase 1 of the Project, as Units 12 through 19 and 24 through 35.

(b) The Common Area consisting of the remainder of the Project, excepting the Modules designated "Units" and the "Association Property" as shown on the Condominium Plan

(c) The Association Property consisting of the remainder of the Project, excepting the Modules designated as "Units" and the "Common Area" as shown on the Condominium Plan.

Section 2. Interest in Common Area. The ownership of each Unit within Phase 1 of the Project shall include an appurtenant equal undivided 1/20th interest as tenant in common in the Common Area of Lot 1 of Tract No. 15453 in the Project. Declarant, its successors, assigns, and grantees, covenant and agree that the equal undivided interests in the Common Area of Lot 1 and the fee titles in and to the respective Units conveyed therewith shall not be separated or separately conveyed, and each such undivided interest in the Common Area of Lot 1 shall be deemed to be conveyed or encumbered with its respective Units even though the description in the instrument of conveyance or encumbrance may refer only to the fee title and to the Unit. Each Owner's equal undivided interest in the Common Area of Lot 1 may not be diminished or changed.

Section 3. Condominium. Each Unit, together with the respective equal undivided interest in the Common Area of Lot 1, together with any exclusive easements in the Common Area appurtenant thereto, is defined and hereinafter referred to as a "Condominium", and the ownership of each Condominium shall include a Unit and such equal undivided interest in the Common Area of Lot 1.

ARTICLE III

RIGHTS OF ENJOYMENT

Section 1. Members' Right of Enjoyment. Every Owner and Member of the Association shall have a nonexclusive easement for use and enjoyment in and to all Common Area and Association Property within the overall Project, and such right shall be appurtenant to and shall pass with title to each Condominium, subject to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration, including, without limitation, the following provisions:

(a) The right of the Association to reasonably limit the number of guests of Owners using the Common Area or Association Property facilities;

(b) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area, Association Property and recreational facilities thereon;

(c) The right of the Association in accordance with the Association Management Documents, with the vote or written assent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant, to borrow money for the purpose of improving the Common Area or Association Property and the facilities and in aid thereof, and subject to the provisions of the Article of this Declaration entitled "RIGHTS OF MORTGAGEES" to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(d) Subject to the provisions of the Article of this Declaration entitled "RIGHTS OF MORTGAGEES," the right of the Association to dedicate, release, alienate or transfer the Common Area or Association Property to any public agency, authority, utility or other person for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication, release, alienation or transfer shall be effective, unless an instrument signed by Members entitled to cast at least a majority of the total voting power of the Association which shall include a majority of the votes residing in Members other than the Declarant, agreeing to such dedication, release, alienation or transfer has been recorded;

(e) The rights and reservations of Declarant as set forth in this Declaration, including the right of Declarant and its sales agents, representatives and prospective purchasers, to the nonexclusive use of the Common Area or Association Property and any facilities thereof, without cost, for access, ingress, egress, use and enjoyment, in order to dispose of the Property as provided herein, until the first to occur of (i) three (3) years from the final right of annexation as set forth in the section of this Declaration entitled "Annexation Without Consent" of the Article

entitled "ANNEXATION," or (ii) upon the close of escrow for the sale of the last Unit in the Property; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein;

(f) The right of the Board to suspend the rights and easements of any Member for use and enjoyment of the recreational facilities, if any, located on the Association Property or Common Area, and the persons deriving such rights and easements from any Member, for any period during which the payment of any assessment against such Member and their Unit remains delinquent; and, after notice and hearing with an opportunity to be heard, to impose monetary penalties or suspend such use rights and easements for a reasonable period of time as determined by the Board for any violation of the Association Management Documents, it being understood that any suspension for either non-payment of any assessment or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligation to pay assessments as provided herein;

(g) The right of the Association, acting through the Board, to reasonably restrict access to areas of the Common Area or Association Property; and

(h) The right of the Association to grant permits, licenses and easements over the Common Area or Association Property for utilities, roads and other purposes necessary for the proper operation of the Project.

Section 2. Delegation of Use. Any Member may delegate their right of enjoyment to the Common Area or Association Property to the Members of their family or their tenants who reside on their Unit, or to their guests, subject to the Association Rules.

Section 3. Waiver of Use. No member may exempt themselves from personal liability for assessments duly levied by the Association, nor release the Unit owned by them from the liens, charges and other provisions of the Association Management Documents, by waiver of the use and enjoyment of the Association Property or Common Area, or the abandonment of their Unit.

ARTICLE IV
USE RESTRICTIONS

In addition to all other covenants contained herein, the use of the Project and each Unit therein, the Common Area and the Association Property is subject to the following:

Section 1. No Partition. The Common Area and Association Property shall remain undivided and no Owner shall bring any action for partition, excepting as otherwise hereinafter provided, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project.

Section 2. Commercial Use. Subject to the Section entitled "Construction and Sales Easement" of the Article hereof entitled "Easements", no part of a Unit shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or any nonresidential purposes; provided, however, that the Association shall have the right to provide or authorize such services on the Association Property as it deems appropriate for the enjoyment of the Association Property or for the benefit of the Members.

Section 3. No Obstruction of the Common Area or the Association Property. There shall be no obstruction of the Common Area or the Association Property nor shall anything be stored in the Common Area or the Association Property without the prior written consent of the Board except as hereinafter expressly provided. Nothing shall be altered or constructed in or removed from the Common Area or the Association Property, except upon the written consent of the Board.

Section 4. Signs. No sign, poster, billboard, advertising device or other display of any kind shall be displayed so as to be visible from outside any portion of the Property without the approval of the Architectural Committee, except such signs as may be used by Declarant in connection with the development of the Property and the sale and rental of Condominiums (but such exception for signs of the Declarant shall only apply until the first to occur of (a) three (3) years from the final right of annexation as set forth in the section of this Declaration entitled "Annexation Without Consent" of the Article entitled "ANNEXATION," or (b) upon the close of the last escrow representing the sale of all of the Condominiums in the Project whichever first occurs). Any restriction by the Association on the right of any Owner to place a sign on their Unit must comply with the requirements of Section 712 and Section 713 of the California Civil Code.

Section 5. Animals. No insects or animals of any kind shall be raised, bred or kept on the Property except that a

reasonable number of dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained, for any commercial purpose, nor in violation of any other provision of this Declaration and such limitations as may be set forth in the Association Rules. The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal maintained on any Condominium in the Property which constitutes, in the opinion of the Board, a nuisance to Owners of Condominiums within the Property. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure, an enclosed yard or on a leash or bridle being held by a person capable of controlling the animal. Furthermore, any Owner shall be absolutely liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by an Owner or by members of their family, their tenants or their guests; and it shall be the absolute duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Property.

Section 6. Structural Alterations. No Owner shall make or cause to be made structural alterations or modifications to the exterior of the Dwelling or any other Improvement within exterior portion of their Unit or installations located therein which would have a material effect on the exterior of the Dwelling or any other Dwelling without the prior written consent of the Architectural Committee provided for in this Declaration. No Owner shall make any improvement or alteration within the boundaries of their Unit which impairs the structural integrity or mechanical systems of, lessens the support of any portion of, or otherwise affects in a material way the Association Property or another Unit. Except as provided above in this Section, each Owner shall be allowed to make structural alterations, improvements or modifications to the interior of their Dwelling without the approval of the Architectural Committee.

Section 7. Association Property and Common Area Facilities. Nothing shall be altered, constructed on or in or removed from the Association Property or Common Area except upon the written consent of the Architectural Committee.

Section 8. Unsightly Items. No rubbish, trash or garbage or other waste material shall be kept or permitted upon any portion of the Property, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Property, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Units only when set out for a reasonable period of time (not to exceed twenty-four (24) hours before and after scheduled trash collection hours). If trash bins are located in the trash areas on the Common Area or Association Property, all Owners shall utilize such trash bins for the disposal of their trash. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles

therefor or fire pits in the enclosed yards designed in such a manner that they do not create a fire hazard. No clothing or household fabrics shall be hung, dried or aired in such a way in the Project as to be visible to other property, and no lumber, grass, shrub or tree clippings or plant waste, metals, bulk material or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Property except within an enclosed structure or appropriately screened from view. Weeds shall be regularly removed from the exterior portion of the Units and shall not be allowed to accumulate.

Section 9. Outside Installations. No radio station or shortwave operators of any kind shall operate from any Unit unless approved in writing by the Architectural Committee, or by the Board of Directors, and the same be contained within a building or underground conduits. No exterior radio antenna, C.B. antenna, television antenna, or other antenna of any type shall be erected or maintained within the Property unless approved in writing by the Architectural Committee, or by the Board of Directors. No fence or wall shall be erected, altered or maintained for the benefit of any Unit in the Property, except with the prior written approval of the Architectural Committee. Unless otherwise provided by this Declaration, all walls or fences initially constructed by Declarant shall be permanently maintained by the Owners of the Units on which they are located. Any alterations or modifications of the walls or fences not addressed herein shall be subject to the prior written approval of the Architectural Committee. No other appliances or installation on exterior roofs of structures, including, without limitation, roof-top turbine ventilators, shall be permitted unless they are installed in such a manner that they are not visible from streets, Association Property, or neighboring Units, except that attic ventilators and solar panels which are architecturally treated in conformity with guidelines contained in the Architectural Standards and which have been approved by the Architectural Committee pursuant to the provisions of the Article entitled "Architectural Control" of this Declaration shall be permitted.

Section 10. Antennas. No television, radio, or other electronic antenna or device of any type shall hereafter be erected, constructed, placed or permitted to remain on the Unit, the Association Property, or the Common Area unless and until the same has been approved in writing by the Architectural Committee or the Board, or unless the same is contained within a building or underground conduits. Nothing herein shall be deemed to prohibit or restrict the installation or use of any antenna, satellite dish or similar device that is otherwise permissible under California law.

Section 11. Pesticides and Fertilizers. Use of herbicides, pesticides or fertilizers during landscape maintenance activities and installation of certain planting materials will be performed in accordance with a the County Management Guidelines for Use of Fertilizers and Pesticides.

Section 12. Hazardous or Toxic Waste. Nothing other than natural rain water may be discharged into the storm drains and

storm drainage system located on private or public property. The National Pollutant Discharge Elimination System and Section 5650 of the California Fish and Game Code prohibit discharging anything other than natural rain water into storm drainage systems. Toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, antifreeze, solvents, paints, paint thinners, wood preservative and other such fluids shall not be discharged into any street, public or private, or into storm drains or storm water conveyance systems. Use and disposal of pesticides, fungicides, herbicides, insecticides, fertilizers and other such chemical treatments shall meet Federal, State, County (and City) requirements as prescribed on their respective containers. All Owners within the Properties are required to comply with such restrictions.

Section 13. Parking and Vehicular Restrictions.

(a) No Owner shall park, store or keep any vehicle, except wholly within the parking area designed therefor, and any inoperable vehicle shall be stored only in enclosed garages. No Owner shall park, store or keep on any property, street (public or private), unenclosed parking space or driveway within the Property any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck), any recreational vehicle (including, but not limited to, any camper unit or motor home), any bus, trailer, trailer coach, camper trailer, boat, aircraft, mobile home, inoperable vehicle or any other similar vehicle or any vehicular equipment, mobile or otherwise, or any other non-automotive vehicles and non-automotive storage or other items visible from anywhere in the Property determined to be a nuisance by the Board. The above excludes camper trucks and similar vehicles when used for everyday-type transportation that is stored within an enclosed garage space or those subject further to approval by the Board. No Owner of a Unit shall conduct repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of the Property or upon the Association Property or Common Area, except wholly within the Owner's garage, and then only when the garage door is closed; provided, however, that such activity shall at no time be permitted if it is determined by the Board or its agent to be a nuisance. Garage doors shall remain closed except for reasonable periods while the garages are being used.

(b) Parking in shared driveways, if any, including any temporary parking, is prohibited at all times. Guests shall park in guest parking spaces only, and each Unit Owner shall be responsible for assuring that their guests abide by the parking restrictions set forth in this Declaration, and any additional regulations established in the Association Rules in accordance with the Section of this Article entitled "Association Rules."

(c) Parking within 15 feet of any fire hydrant within the Project shall at all times be prohibited.

(d) Notwithstanding the foregoing, parking along the Association Property streets in areas designated as "fire lanes", as

further depicted for Phase 1 of the Project on Exhibit "E" attached hereto and incorporated herein by this reference, is prohibited at all times. In accordance with Section 22658.2 of the California Vehicle Code, the Association, through its officers, committees and agents, is empowered to establish and enforce parking restrictions within the Association Property, as well as to enforce these parking limitations by all means lawful for such enforcement on public streets, including the removal of any violating vehicles by those so empowered. If the County Fire Department finds that the Association does not adequately enforce the parking restrictions set forth in this Declaration and those other parking restrictions that are otherwise applicable to the Project, the County Fire Department may require that the Association bring the Project into compliance with applicable requirements for public streets within the State of California, but only to the extent such compliance may reasonably be accomplished given the original design parameters of the Project (including, without limitation, street widths).

Section 14. Rights of Disabled. Subject to the provisions of the Article of this Declaration entitled "ARCHITECTURAL CONTROL," each Owner shall have the right to modify said Owner's Residence and the route over the Association Property leading to the front door of the Residence, at said Owner's sole expense, in order to facilitate access to said Owner's Residence by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such persons in accordance with Section 1360 of the California Civil Code or any other applicable law or ordinance.

Section 15. Utilities. Each Owner of a Unit shall be obligated to pay any and all assessments for sewage, electricity, other utilities, taxes and other charges assessed individually against such Owner's Condominium.

Section 16. Association Rules. Each Owner, tenant or occupant of a Unit shall comply with the provisions of the Association Management Documents, decisions by the Board or its duly authorized representatives which may from time to time be promulgated, all as lawfully amended from time to time, and failure to comply with any such provisions, decisions, or resolutions, shall be grounds for an action to recover sums due, for damages, or for injunctive relief, or for any other remedy permitted by law or permitted by the terms of this Declaration.

Section 17. Conduct in Condominiums, Association Property and Common Area. No Unit, Association Property or Common Area shall be occupied or used for any purpose or in any manner which shall cause such Unit, Association Property or Common Area either to be uninsurable against loss by fire or the perils of the extended coverage endorsement of the California Standard Fire Policy form, or cause any policy or policies representing such insurance to be canceled or suspended or the company issuing the same to refuse renewal thereof. No Unit shall be used in such a manner as to obstruct or interfere with the enjoyment of occupants of other Units

or annoy them by unreasonable noises or otherwise, nor shall any nuisance be committed or permitted to occur in any Unit.

Section 18. Leasing of Units. Any agreement for the leasing or rental of a Unit (hereinafter in this Section referred to as a "lease") shall provide that the terms of such lease shall be subject in all respects to the provisions of the Association Management Documents and any applicable agreement between the Association and any of the Federal Agencies. Said lease shall further provide that any failure by the lessee thereunder to comply with the terms of the foregoing document shall be a default under the lease. All leases shall be required to be in writing. The Owner of said leased or rented Unit has the duty and obligation to furnish the Board with the name or names of the individuals currently leasing or renting said Unit and to maintain with the Association a record of the current mailing address of said Owner. Any Owner who shall lease their Unit shall be responsible for assuring compliance by such Owner's lessee with the Association Management Documents. Other than the foregoing, there shall be no restriction on the right of any Owner to lease their Unit.

Section 19. Drainage. Each Owner of a Unit in the Properties agrees for themselves and for their assigns that there will be no interference with the established drainage pattern within any Unit of the Project, unless an adequate alternative provision is made for proper drainage which is first approved in writing by the Architectural Committee. For the purposes hereof, "established" drainage is defined as the drainage which exists at the time that such Unit is conveyed to a purchaser from Declarant, or that which is shown on any plans subsequently approved by the Architectural Committee, which may include drainage from the Association Property or natural drainage occurring into the Common Area, over any Unit or Units within the Properties or drainage from one Unit through the drainage facilities of another Unit until reaching the drainage facilities located within the Association Property. Each Owner shall maintain all drainage facilities (which include, but shall not be limited to, the finished grade of the yard, yard drains and associated piping but excluding the Drainage Facilities to be maintained by the Association in accordance with the Section entitled "Drainage Easements" of the Article this Declaration entitled "EASEMENTS") located within such Owner's Unit free and clear of debris which would interfere with the Drainage Facilities and/or the established drainage pattern within the Project. Each Owner shall be required to provide such maintenance in such manner as to protect the integrity of their Unit, all adjoining Units and the Improvements thereon, the Drainage Facilities, Common Area and all Association Property. The Association and its representatives shall have the right to enter upon any Unit within the Project to the extent such entry is necessary in the event an Owner has not maintained such drainage facilities as set forth hereinabove, or for effectuation of emergency repairs or for the removal any obstruction of drainage waters for the benefit of the Units, the Association Property or for any of the Owners within the Properties. No Owner shall do anything

which would adversely affect the stability of the soil within the Properties.

Section 20. Reclaimed Water on Association Property Landscaping. Portions of the Association Property landscaped slopes have been designed to utilize reclaimed water (treated wastewater) for irrigation. Reclaimed water is not potable and therefore not suitable for human consumption and prolonged skin contact (such as child's play). The California Department of Health Services has determined that inadvertent consumption of reclaimed water by domestic pets and other animals will not cause harm and further has not resulted in any significant adverse health consequences, however, it is recommended contact and consumption be reasonably avoided. It should be noted that standards for reclaimed water and its suitability for irrigation purposes are determined by applicable governmental agencies, which standards may vary from time to time. As with any water spray, the repeated spray of reclaimed water may spot, stain, discolor or otherwise adversely impact personal property, fencing and other Improvements over time. Furthermore, the water serving district may establish policies from time to time, which among other things, may not allow the use of water softening devices due to the increased salty residue that would remain in the reclaimed water and otherwise be detrimental to landscaping.

Section 21. Window Covers. Curtains, drapes, shutters or blinds may be installed as window covers, provided that any portion of such window cover which is visible to the public is a neutral color (i.e., white, off-white, beige, or a similar light color). No window shall be covered with aluminum foil, sheets, newspapers or similar material not intended or designed for use as a window cover.

Section 22. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any portion of the Property, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface or any portion of the Property or within five hundred feet (500') below the surface of the Property. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon any portion of the Property.

Section 23. Temporary Buildings. No outbuilding, tent, shack, shed or other temporary building of any kind shall be placed upon any portion of the Properties, either temporarily or permanently, except any such structure that does not extend above the height of a fence or wall appurtenant to the Unit. No garage, trailer, camper, motor home or recreational vehicle shall be used as a residence in the Properties, either temporarily or permanently.

Section 24. Construction by Declarant. Nothing in this Declaration shall limit the right of the Declarant to commence and complete construction of improvements to the Properties or to alter the foregoing or the Units, Association Property or Common Area or to

construct such additional improvements as the Declarant deems advisable prior to the completion and sale of all of the Properties. The Declarant may use any of the Units within the Properties owned by it for model home sites and incidental parking. The Declarant shall have the right and an easement to enter upon, use and enjoy and designate and permit others (including, without limitation, Declarant's agents, employees, representatives, contractors and prospective purchasers) to enter upon, use and enjoy the Association Property and Common Area for any purpose in connection with or incidental to the construction, development, sale, lease or other transfer of property within or adjacent to the Properties (including, without limitation, the erection, construction and maintenance of displays, sales offices and incidental parking, exhibits, sign and other structures).

Section 25. Community Declaration Restrictions. Each Owner of a Unit, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or other instrument, agrees to be subject to all of the covenants, conditions and restrictions set forth in the Community Declaration.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

Section 1. Organization. The Association is organized as a California corporation under the California Nonprofit Mutual Benefit Corporation Law. The Association is charged with the duties and vested with the powers prescribed by law and set forth in the Articles, Bylaws, and this Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed so as to be inconsistent with this Declaration. In the event that there should exist any ambiguity in any provision of the Articles or Bylaws, then such provision shall be interpreted so as to be consistent with the provisions of this Declaration.

Section 2. Membership. Every Owner of a Condominium which is subject to assessment shall automatically upon becoming the Owner of a Condominium be a Member of the Association, and shall remain a Member thereof until such time as their ownership ceases for any reason, at which time their Membership in the Association shall automatically cease. For each Condominium there shall be on file with the Association an address of record for an Owner, if different from the Condominium address, and a phone number or numbers in case of emergency, all of which shall be kept current by the Owner. Ownership of a Condominium shall be the sole qualification for Membership in the Association. All Memberships shall be appurtenant to the Condominium conveyed, and with the exception of Declarant, a person or entity shall be deemed an Owner of a Condominium only upon recordation of a deed conveying the Condominium to them. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be as provided in this Declaration and in the Association Rules adopted by the Association.

Section 3. Transfer. The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale of their Condominium and then only to the purchaser or of said Condominium. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold their Condominium to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser their Membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to their Condominium until fee title to the Condominium sold is transferred, as provided in this Declaration. In the event the Owner of any Condominium should fail or refuse to transfer the Membership registered in their name to the purchaser of such Condominium, the Board of Directors shall have the right to record the transfer upon the books of the Association. The Board of Directors shall have the right to impose a reasonable fee against the selling Owner equal to the cost to the Association of effectuating

any such transfer of their Membership upon the books of the Association.

Section 4. Voting Rights. The Association shall have two (2) classes of voting Membership.

Class A. Class A Members shall be those Owners described in Section 2 above, with the exception of Declarant for so long as there exists a Class B Membership. Each Class A Member shall be entitled to one (1) vote for each Condominium owned. When more than one (1) person holds an interest in any Condominium, all such persons shall be Members, and the vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to a specific Condominium. The Association shall not be required to recognize the vote or written assent of any such Co-Owner except the vote or written assent of the Co-Owner designated in a writing executed by all such Co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium owned; provided that the Class B Membership shall cease and be converted to Class A Membership on the happening of any of the following events, whichever occurs earlier:

(a) The second anniversary of the conveyance of the first Condominium in the most recent Phase of the Property; or

(b) On the fourth anniversary of the conveyance of the first Condominium in the first Phase of the Property.

Section 5. Two Classes of Memberships. Any action by the Association which must have the approval of the membership of the 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 there are two (2) outstanding classes of Membership, unless a specific provision of this Declaration or the Bylaws or Articles of the Association requires the approval of a greater percentage of the voting membership. Notwithstanding the foregoing, any action by the Association pursuant to the Article of this Declaration entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Owners other than Declarant.

Section 6. Special Class A Voting Rights. Notwithstanding the provisions of this Article, if the Class A Members do not have sufficient voting power pursuant to the voting rights set forth in this Declaration and the Bylaws to elect at least one (1) director at any meeting at which directors are to be elected, and at which Class A Members are entitled to vote, then such Class A Members shall, by majority vote, among themselves, elect one (1) director and the remaining vacancies on the Board shall be elected by the Class B Member so long as there are two outstanding classes of membership in the Association or so long as a majority of the voting

power of the Association resides in the Declarant. In no event shall the Class A Members be entitled to elect more than one (1) director to the Board pursuant to the provisions of this special Class A voting right.

Section 7. Vesting of Voting Rights. All voting rights which are attributable to a specific Condominium pursuant to the terms of this Declaration shall not vest until such time as such Condominium is subject to Regular Assessments pursuant to the terms of this Declaration. Declarant shall have the right at any time, and from time to time, to commence the payment of Regular Assessments on all Condominiums within a Phase of the Project prior to the close of the first escrow therein in order to have the voting rights with respect to such Condominiums.

ARTICLE VI

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Covenant to Pay Assessment. Declarant, for each Condominium owned within the Property, hereby covenants, and each Owner of any Condominium by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) Regular Assessments or charges, (2) Special Assessments for capital improvements, (3) Reconstruction Assessments, and (4) Reimbursement Assessments, all such assessments to be established and collected as hereinafter provided. Each of such assessments, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Condominium at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to such person's successors in title unless expressly assumed by them. The Association shall not impose or collect an assessment, penalty or fee that exceeds the amount necessary for the purpose or purposes for which it is levied.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Property and for the improvement, operation and maintenance of the Common Area, Association Property and the Project and the performance of the duties of the Association as set forth in this Declaration and in the Association's Articles and Bylaws.

Section 3. Maximum Regular Assessments and Limitation on Increases in Regular Assessments.

(a) Until January 1st of the year immediately following the conveyance of the first Unit to an Owner, the maximum Regular Assessment shall be as shown in the most recent Final Subdivision Public Report issued by the Department of Real Estate for Phase 1 of the Project. Notwithstanding more restrictive limitations placed on the Board by the governing documents, and except for the terms of this Declaration as provided for in Section 6 below, from and after January 1st of the year immediately following the conveyance of the first Unit to an Owner, the maximum Regular Assessment may be increased each year not more than twenty percent (20%) above the maximum assessment for the previous year without the vote or written assent of Members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association. However, annual increases in Regular Assessments for any fiscal year, as authorized by subdivision (b) of Section 1366 of the California Civil Code, shall not be imposed unless the Board has complied with subdivision (a) of Section 1365 of the California Civil Code, the provisions of which are set forth in the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 and 1365.5," with respect to that fiscal year, or has obtained the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with

Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. For purposes of this Section, quorum means more than fifty percent (50%) of the Owners of the Association.

(b) Notwithstanding any limitation contained in this Declaration to the contrary, in the event that the amount of Regular Assessments as approved by the California Department of Real Estate in connection with the issuance of a Final Subdivision Public Report ("DRE Reviewed Budget") on a subsequent Phase of the Development is greater than the amount authorized by this Declaration without a vote of the membership, then the Board, on behalf of the Association and without the requirement of a vote of the membership, shall be entitled to increase the maximum Regular Assessment amount as reflected in such Final Subdivision Public Report. The Association shall provide notice by first-class mail to the Owner of each Condominium of any increase in the Regular Assessments of the Association not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. Furthermore, in order to avoid confusion and the administrative burden of fluctuating assessments during the Phases of development of the Project, the Department of Real Estate deemed it reasonable to allow in accordance with the DRE Reviewed Budget that the Regular Assessment be fixed ("Fixed Regular Assessment") at a levels which vary, in some Phases, to be more or less than the actual amount required by the Association to perform its obligations. The DRE Reviewed Budget provides the Fixed Regular Assessment levied by the Association will either temporarily accrue a surplus or permit a previously accrued surplus to gradually deplete. Until all of the Annexable Area is subject to Regular Assessments, any excess Regular Assessment funds collected in connection with the Fixed Regular Assessments shall be placed in a separate account ("Surplus Fund Account") to be drawn upon only for the purpose of funding any deficit which may occur due to the Fixed Regular Assessment in a subsequent Phase of Development. In order to insure adequate Regular Assessments are being collected during the development of the Project, the Board shall review the Surplus Fund Account on a monthly basis to assure funds are available to finance a deficit, if any, created by the Fixed Regular Assessment in a Phase of Development.

Section 4. Special Assessments for Capital Improvements and Limitation on Increases In Special Assessments. In addition to the Regular Assessments authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any installation, construction, reconstruction, repair or replacement of any Common Area or Association Property, including fixtures and personal property related thereto or any other action or undertaking on behalf of the Association, provided that any Special Assessment for all Condominiums for the fiscal year in the aggregate in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year shall be approved by the vote or written assent of Members, constituting a quorum, casting a majority of the votes of the Association at a meeting or election of the

Association. This limitation on Special Assessments shall not apply to any Reimbursement Assessment which is authorized by the provisions of this Declaration. The Association shall provide notice by first-class mail to the Owner of each Condominium of any increase in the Special Assessments of the Association not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

Section 5. Special Quorum and Meeting Requirements for Increases In Assessments. For purposes only of Section 3 and Section 4 of this Article, a quorum means more than fifty percent (50%) of the Members of the Association. Any meeting or election of the Association for purposes of complying with Sections 3 and 4 of this Article shall be conducted in accordance with the provisions of Chapter 5 of Part 3, Division 2 of Title 1 of the California Corporations Code dealing with meetings and voting and Section 7613 of the California Corporations Code dealing with proxies.

Section 6. Exceptions from Limitation on Assessment Increases. The limitation on percentage increases of Regular and Special Assessments under Sections 3 and 4 above shall not limit assessment increases necessary for addressing emergency situations. For purposes of this Section, an emergency situation is any one of the following:

- (i) An extraordinary expense required by an order of a court;
- (ii) An extraordinary expense necessary to repair or maintain the Property or any part thereof for which the Association is responsible where a threat to personal safety on the Property is discovered;
- (iii) An extraordinary expense necessary to repair or maintain the Property or any part thereof for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget, as required under the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5." However, prior to the imposition or collection of an increased assessment under this Section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of assessment.

Section 7. Reimbursement Assessments. The Association shall levy a Reimbursement Assessment against an Owner as a monetary penalty for failure to comply with the terms of this Declaration, the determinations of the Board or the Architectural Committee, or any rule or regulation adopted by the Association, or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area for which the Owner, his family, guests, employees, tenants agents or invitees is allegedly

responsible, or as a means to force an Owner to comply with the terms of this Declaration, the determinations of the Architectural Committee, the Association's Articles or Bylaws, or any rule or regulation adopted by the Association if such failure results in the expenditure of monies by the Association in carrying out its functions hereunder. Except for collection of fines, such assessment shall be for the purpose of reimbursing the Association, shall be limited to the amount so expended, and shall be due and payable to the Association when levied.

Section 8. Rate of Assessments. Unless otherwise required by the California Department of Real Estate in connection with the issuance of a Public Report for a Phase of the Property, both Regular and Special Assessments for each Condominium shall be uniform. Regular Assessments shall be collected on a monthly basis unless some other period for collection is established by the Board.

Section 9. Date of Commencement of Regular Assessments:
Due Dates. The Regular Assessments provided for herein shall commence as to all Condominiums within a Phase of the Project (including those Condominiums owned by Declarant) no later than (but earlier at the discretion of Declarant) the first day of the month following the conveyance of the first Condominium by Declarant to an individual Owner, upon conveyance of the Association Property to the Association, or the first day of the month following the first residential occupancy of a Unit within a Phase, whichever first occurs in such Phase. Once Regular Assessments have commenced as to a Phase, such assessments may not cease and such Condominiums shall be subject at all times to the provisions of the Declaration, including the power of the Association to collect such assessments through the enforcement of a lien as provided in this Declaration. The first Regular Assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board of Directors shall fix the amount of the Regular Assessment against each Condominium at least sixty (60) days in advance of each fiscal year of the Association at an amount not in excess of the maximum as provided in this Declaration. Written notice of the amount of the Regular Assessments against each Condominium shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. Regular Assessments shall be deemed delinquent fifteen (15) days after the due dates established by the Association. In the event the Board shall determine at any time that the estimate of the Regular Assessment for the current fiscal year is, or will become, inadequate to meet the expenses of the Association for any reason, it shall immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the total Association expenses and determine the revised amount of the Regular Assessment against each Condominium.

Section 10. Reserves. The Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Association Property or Common Area that must be repaired or replaced on a periodic basis, or any other

purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members.

Section 11. Exemption from Regular Assessments -Dwelling Unit. Notwithstanding anything to the contrary contained elsewhere in this Article, the Declarant and any other Owner of a subdivision interest within the Property which does not contain a residential dwelling unit shall be exempt from the payment of that portion of the Regular Assessments which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of the residential structural improvements. The exemption may include, but shall not necessarily be limited to:

- (1) Roof replacement;
- (2) Exterior maintenance;
- (3) Walkway and carport lighting;
- (4) Refuse disposal;
- (5) Cable television; and
- (6) Domestic water supplied to a portion of the dwelling units.

This exemption from the payment of Regular Assessments attributable to the dwelling units shall be in effect only until the earliest of the following events: (a) a notice of completion of the structural improvements on the dwelling unit has been recorded; (b) occupation or use of the dwelling unit; (c) completion of all elements of the residential structures of the dwelling unit which the Association is obliged to maintain; or (d) upon request of the Declarant if necessary to comply with any regulations of any of the Federal Agencies.

Section 12. Certificate of Payment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Condominium have been paid. Said signed certificate shall be conclusive evidence as to all third parties relying thereon to show that all assessments acknowledged therein have been paid but shall not relieve any Owner of the responsibility for assessments not in fact paid.

Section 13. Effect of Nonpayment of Assessments; Remedies of the Association. Each Owner of any Condominium on becoming an Owner of any Condominium is, and shall be deemed to covenant and agree to pay to the Association each and every of the

assessments provided for in this Declaration; and agrees to the enforcement of all such assessments in the manner herein specified. In the event an attorney or attorneys are employed for collection of any assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay reasonable attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. In addition to any other remedies herein or by law provided, the Board, or its authorized representative, may enforce the obligations of the Owners to pay the assessments provided for in this Declaration, and each of them, in any manner provided by law or in equity, or without limitation of the foregoing, by either or both of the following procedures:

(a) Enforcement by Suit. By commencement and maintenance of a suit at law against any Owner or Owners personally obligated to pay assessments for such delinquent assessments as to which they are personally obligated, such suit to be maintained in the name of the Association. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon as provided for herein, costs of collection, court costs and reasonable attorneys' fees in such amount as the court may adjudge against the delinquent Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien hereinafter provided for.

(b) Enforcement by Lien. There is hereby created a claim of lien, with power of sale, on each and every Condominium to secure payment to the Association of any and all assessments levied against any and all Owners of such Condominiums pursuant to this Declaration, together with interest thereon as provided for in this Declaration, and all costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees. However, before the Association may place a lien upon the Condominium of an Owner to collect a debt which is past due under this subsection (b), the Association shall notify the Owner in writing by certified mail of the fee and penalty procedures of the Association, provide an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal owed, any late charges, and the method of calculation, any attorney's fees, and the collection practices used by the Association, including the right of the Association to the reasonable costs of collection. In addition, any payments toward such a debt shall first be applied to the principal owed, and only after the principal owed is paid in full shall such payments be applied to interest or collection expenses. At any time after the occurrence of any delinquency in the payment of any such assessment, the Board or any authorized representative thereof may make a written demand for payment to the delinquent Owner. Said demand shall state the date and amount of the delinquency. Each delinquency shall constitute a separate basis for a demand or claim of lien or a lien, but any number of defaults may be included within a single demand or claim of lien and any demand or claim of lien or lien on account of

prior delinquencies shall be deemed to include subsequent delinquencies and amounts due on account thereof. If such delinquency is not paid within ten (10) days after delivery of such demand, the Board or its duly authorized representative may thereafter elect to file and record a Notice of Delinquent Assessment ("Notice") on behalf of the Association against the Condominium of the defaulting Owner in the Office of the County Recorder of Orange County. The amount of the assessment, plus any costs of collection, late charges and interest assessed in accordance with this Declaration shall be a lien on the Owner's Condominium from and after the time the Association records the Notice of Delinquent Assessment. Such Notice shall be executed and acknowledged by the President of the Association and shall contain substantially the following information:

- (1) The claim of lien made pursuant to this Declaration;
- (2) The name of the record Owner;
- (3) The legal description of the Condominium against which claim of lien is made;
- (4) The total amount claimed to be due and owing for the amount of the delinquency, interest thereon, collection costs, and estimated attorneys' fees (with any proper offset allowed);
- (5) That the claim of lien is made by the Association pursuant to this Declaration;
- (6) That a lien is claimed against said Condominium in an amount equal to the amount stated, together with all other amounts becoming due from time to time in accordance with this Declaration; and
- (7) The name and address of the trustee authorized by the Association to enforce the lien by public sale.

Upon such recordation of a duly executed original or copy of such Notice, the lien claimed therein shall immediately attach and become effective in favor of the Association as a lien upon the Condominium against which such assessment was levied. The Notice of Delinquent Assessment must be mailed in the manner set forth in Section 2924b of the California Civil Code to all record Owners of a Condominium in the Project no later than ten (10) calendar days after recordation. Such a lien shall have priority over all liens or claims created subsequent to the recordation of this Declaration, except for tax liens for real property taxes on any Condominium and assessments on any Condominium in favor of any municipal or other governmental assessing Condominium and except for certain Trust Deeds as provided in the Section of this Article entitled "Subordination to Certain Trust Deeds" below. Any such lien may be foreclosed by appropriate action in Court or in the manner

provided by the California Civil Code for the foreclosure of a deed of trust with power of sale, or in any other manner permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association, or any Title Company authorized to do business in California as Trustee for the purpose of conducting such power of sale foreclosure. The lien provided for herein shall be in favor of the Association and shall be for the benefit of all other Condominium Owners and shall secure payment of all sums set forth in the Notice, together with all sums becoming due and payable in accordance with this Declaration after the date of recordation of said Notice. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any Condominium. In the event such foreclosure is by action in Court, reasonable attorneys' fees, court costs, title search fees, late payment fees, interest and all other costs and expenses shall be allowed to the extent permitted by law. Each Owner, by becoming an Owner of a Condominium, hereby expressly waives any objection to the enforcement and foreclosure of this lien in this manner. Upon the timely curing of any default for which a Notice was filed by the Board and the payment of all sums secured by the lien created by the recordation of such Notice, the Board shall cause an officer of the Association to file and record an appropriate release of such Notice in the Office of the County Recorder of Orange County, California. No Owner may waive or otherwise escape liability for the assessments provided for in this Declaration by non-use or abandonment of their Condominium. After the expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Section 2934a of the California Civil Code.

Section 14. Subordination to Certain Trust Deeds. The lien for the assessments and any allowable costs and charges permitted by Civil Code Section 1366 provided for herein in connection with a given Condominium shall subordinate to the lien of a First Mortgage given and made in good faith and for value that is of record as an encumbrance against such given Condominium prior to the recordation of a Notice of Delinquent Assessment for the assessments provided for in this Declaration against such given Condominium. The sale or transfer of any Condominium shall not affect any assessment lien created pursuant to the terms of this Declaration to secure assessments becoming due whether prior to, on or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent assessments as provided for by Section 1 of this Article; provided, however, that the sale or transfer of any Condominium pursuant to a judicial foreclosure or foreclosure by power of sale of a First Mortgage, shall extinguish any assessment lien which has attached and become effective with regard to the Condominium being so transferred prior to the time of such sale or transfer, and shall prohibit the recordation of any assessment lien against such Condominium on account of assessments which became due prior to the date of such sale or transfer; provided, however, that there shall be

a lien on the interests of the purchaser at such sale which shall attach, be created and become effective, and be foreclosed in accordance with this Declaration and which shall secure all assessments becoming due after the date of any such sale or transfer. For the purpose of this Article, a sale or transfer of a Condominium shall occur on the date of recordation of a deed or other instrument of title evidencing the conveyance of record title to the Condominium.

Section 15. Exempt Property. The following property subject to this Declaration shall be exempt from the assessments created herein: All properties dedicated to and accepted by any local public authority and the Association Property.

Section 16. Enforcement of Reimbursement Assessment Liens.

(a) Notwithstanding anything to the contrary contained in this Article or elsewhere in this Declaration, in the event the Association imposes a Reimbursement Assessment as a monetary penalty for failure of a Member to comply with the terms of the Declaration, or as a means to force a Member to comply with the terms of this Declaration, such Reimbursement Assessment, and any late charges, interest or costs incurred in connection with the collection of such Reimbursement Assessment, shall not be characterized or treated as an assessment which may become a lien against a Member's Condominium enforceable in the manner provided by the California Civil Code for the foreclosure of a deed of trust with power of sale as provided in the Section of this Article entitled "Effect of Nonpayment of Assessments; Remedies of the Association." However, a monetary penalty imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area or Association Property and facilities for which the Member or the Member's guests or tenants were responsible may become a lien against the Member's Condominium enforceable by the sale of the Condominium in accordance with the provisions of this Article. A Reimbursement Assessment imposed for any purpose other than the purposes enumerated hereinabove in this Section shall be enforceable in accordance with the procedures set forth in the Section of this Article entitled "Effect of Nonpayment of Assessments; Remedies of the Association." After the expiration of thirty (30) days following the recording of a lien created pursuant to this subsection, the lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Section 2934a of the California Civil Code.

(b) Except as expressly provided by subsection (a) above, a monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the governing instruments, except for the late payments, may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the Member's Condominium

enforceable by the sale of the Condominium under Sections 2924, 2924b and 2924c of the California Civil Code.

(c) The provisions of subsections (a) and (b) hereinabove relating to restrictions on the enforcement of Reimbursement Assessments for certain purposes shall not apply to any interest charge or late charge for delinquent Regular or Special Assessments imposed pursuant to the Section of this Article entitled "Effect of Nonpayment of Assessments; Remedies of the Association" or to any costs reasonably incurred by the Association (including attorneys' fees) in its efforts to collect delinquent Regular or Special Assessments.

Section 17. Capitalization of Association. Upon acquisition of record title to a Condominium from Declarant, each Owner within Phase 1 of the Project shall contribute to the capital of the Association an amount equal to one-sixth (1/6th) the amount of the then annual Regular Assessment for that Condominium as determined by the Board. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association. Within six (6) months after the close of the first escrow, Declarant shall deposit into an escrow an amount equal to one-sixth (1/6th) of the then annual Regular Assessment for any and all Units within Phase 1 not yet sold and which are subject to this capitalization requirement. Escrow shall remit these funds to the Association. Upon the close of escrow of any Unit for which the capital contribution was prepaid by Declarant, escrow shall remit to Declarant the capitalization fee collected from the buyer.

Section 18. Delivery by Owner. Each Owner of a Condominium shall, before the execution of an offer to purchase or lease, make available for examination by the prospective purchaser or lessee, and as soon as practicable before transfer of the interest being acquired, give to each purchaser or lessee (a) a copy of this Declaration and copies of the Bylaws and Articles of Incorporation of the Association, (b) copies of any other instruments which define the rights and responsibilities of the Owner as a member of the Association, (c) to the extent available, a copy of the most recent financial statement distributed by the Association in accordance with the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5," (d) a statement prepared by the Board of Directors as to the amount of the Association's current Regular and Special Assessments and fees, as well as the amount of any delinquent assessments and information relating to penalties, late charges, interest and other charges authorized by this Declaration which are or may be a lien on such Owner's Condominium as of the date the statement is issued, and (e) written notice of any change in the Association's current Regular and Special Assessments and fees which have been approved by the Association's Board, but which are not yet due and payable as of the date disclosure is provided, as required by this Section, to the prospective purchaser.

Section 19. Late Charges and Interest on Delinquent Assessments. Any assessment imposed pursuant to the terms of this

Declaration, if delinquent, shall include a late charge in the maximum amount which shall be imposed by the Board in accordance with and subject to the limitations of California Civil Code Section 1366 as the same may be modified from time to time by statute or judicial decision. Interest shall accrue on all sums imposed in accordance with this Article, including the delinquent assessment, reasonable costs of collection and late charges, at an annual percentage rate of twelve percent (12%) interest, commencing thirty (30) days after the assessment becomes due, or such higher percentage rate of interest authorized by Civil Code Section 1366 as modified from time to time by statute or judicial decision.

ARTICLE VII

MANAGEMENT OF THE ASSOCIATION AND THE PROJECT

Section 1. General Powers of the Association. All powers relating to the management, operation and maintenance of the Project, the Association Property, the Common Area, as well as certain rights, duties and powers relating to the individual Condominiums, as hereinafter set forth, shall be vested in the Association and in its Board of Directors. The specific and primary purposes and powers of the Association and its Board of Directors are to provide architectural control of the Property, manage and maintain the Project, the Common Area, and the Association Property and to enforce the provisions of this Declaration and the Association's Articles and Bylaws, and any other instruments relating to the management and control of the Association and the Property. The Association may do any and all other acts and things that a nonprofit corporation is empowered to do, which may be necessary, convenient, or desirable in the administration of its affairs for the specific and primary purposes of meeting the duties of the Association as set forth in this Declaration. The Association, through its Board of Directors, shall have the authority to delegate its powers to committees, officers of the Association or its employees. The foregoing power of the Association shall include the right to join with the Declarant in the execution of any lot line adjustment or condominium plan and to accept title to additional property or to quitclaim all right, title and interest in and to any Association Property as necessary to transfer title in accordance with any lot line adjustment or condominium plan, provided that such lot line adjustment or condominium plan and the resulting conveyance are made for the following reasons and with the following conditions: (a) for the purpose of eliminating encroachments due to engineering errors or errors in construction by Declarant of any Improvements upon any of the affected property, (b) to permit changes in the development plan in circumstances where such changes are the result of topography, obstructions, hardship, aesthetic or other environmental conditions, (c) are the requirement of a regulatory agency, (d) do not have a significant negative impact upon the Association or the Owners, or (e) to transfer the burden of management and maintenance of any Association Property or Common Area which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of any particular use or benefit to the Owners.

Section 2. Contracts of the Association. The Association shall have the right and power to employ or engage a manager and other employees or agents and contract for such services, labor and materials as it may deem reasonably necessary to operate and maintain the Project, Property, Common Area, Association Property and the improvements thereon and to discharge its other duties as herein provided. Any agreement for professional management of the Association or any contract providing for services by the Declarant must provide for termination of such contract or agreement by either party with or without cause or payment of a termination fee on ninety

(90) days or less written notice and for a maximum contract term not to exceed one (1) year. Any management company or agent that handles funds for the Association should be covered by a fidelity bond, which must provide the same coverage required of the Association under the Article of this Declaration entitled "INSURANCE.

Section 3. General Powers and Duties of Association.

In addition to the duties and powers enumerated in its Articles of Incorporation, and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, and subject to the limitations on the power of the Board as set forth in Sections 7 and 8 of this Article, the Association acting through the Board shall:

(a) Own, maintain or otherwise manage all of the Association Property and Common Area within the Project. Said management and maintenance shall be in conformance with the County Water Conservation Resolution and the County Management Guidelines for Use of Fertilizers and Pesticides. The responsibility of the Association to maintain the Association Property and Common Area shall commence on the first of the month following the close of escrow representing the conveyance of the first Unit by Declarant to an Owner;

(b) Maintain and procure public liability and fire insurance with extended coverage on the Project as required by the terms of this Declaration, and the Board shall also have the authority to maintain and procure any other type of insurance which the Board determines is in the best interest of the Association and its Members;

(c) Obtain, for the benefit of the Association, all water, gas, and electric services and refuse collection, unless such services are separately charged and metered to the individual Owners;

(d) Pay taxes and assessments which are or could become a lien on the Association Property, Common Area or some portion thereof;

(e) Prepare budgets and financial statements and other information for the Association and its Members as prescribed in the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5";

(f) Initiate and execute disciplinary proceedings against Members of the Association for violations of provisions of this Declaration or the Association's Articles of Incorporation or Bylaws in accordance with the procedures set forth in this Declaration;

(g) Subject to approval by a majority vote of each class of Member, borrow money and incur indebtedness for the purposes of the Association and cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds

of trust, mortgages, pledges or other evidences of debt and security therefor;

(h) Make available to any prospective purchaser of a Condominium, any Owner of a Condominium, any first mortgagee and the holders, insurers and guarantors of a first mortgage on any Condominium, current copies of the Declaration, the Articles of Incorporation, the Bylaws, the Association Rules governing the Condominium and all other books, records and financial statements of the Association. "Available" as used in this subsection shall mean available for inspection and copying upon request during normal business hours or under other reasonable circumstances;

(i) Permit utility suppliers to use portions of the Association Property reasonably necessary to the ongoing development and operation of the Project;

(j) Disclose information in accordance with Section 11018.6 of the California Business and Professions Code and Sections 1354 and 1365.9 of the California Civil Code;

(k) Have the authority to institute, defend, settle or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without joining with it the individual Owners of the Project, in matters pertaining to the following:

(i) Enforcement of this Declaration and the Bylaws of the Association;

(ii) Damage to the Common Area or Association Property;

(iii) Damage to any portion of the Units that the Association is obligated to maintain or repair;

(iv) Damage to the Units which arises out of, or is integrally related to, damage to the Common Area, Association Property or Units that the Association is obligated to maintain or repair;

(l) Maintain, repair and replace the Drainage Facilities as provided in the Article of this Declaration entitled "EASEMENTS" and any additional drainage easements owned by the Association, if any, which shall include the inspection and cleaning of all Association Property catch basins immediately prior to October 15th of each year;

(m) Implement a private street sweeping and maintenance program to be operated in accordance with Best Management Practices, to occur, at a minimum, each year immediately prior to October 15th. Said program shall include the maintenance of trash racks at the opening of the storm drains to prevent large pieces of debris and trash from entering the storm drain system.

(n) Comply with the terms and provisions of California Civil Code Section 1375, as amended, in connection with any potential litigation based upon a claim for defects in the design or construction of the Project.

Section 4. Maintenance of Unit by Owners. Each Owner of a Condominium subject to Regular Assessments shall maintain and repair the entire Dwelling and any other Improvements within such Owner's Unit (including all external surfaces) to include the painting thereof, in such a manner so that the color and exterior appearance of all Dwellings within the Project are consistent, and maintain the exterior portions of their Dwelling and the Yard areas and all private utilities (including telephone wiring) servicing said Unit. Such maintenance shall also include: windows and window glass, walls and doors, including locks, latches, weather stripping and thresholds, drainage, landscaping and other Improvements within the exterior portions of their Dwelling and Yard areas, air conditioners, or any repairs or replacements arising out of or caused by the willful or negligent act of the Owner, their family, guests, or invitees. Each Owner shall cause the rear Yard areas to be reasonably landscaped within six (6) months after close of escrow for such Unit and thereafter maintained in accordance with Association Rules which may be established from time to time by the Association. Such maintenance of all landscaped areas shall include, without limitation, proper irrigation. In addition to the foregoing, each Owner shall also maintain the fence, if any, which encloses the private front yard area of their Unit. Such maintenance shall include periodic painting or replacement as necessary. Any repair or replacement materials, including paint color, shall be consistent with the original design and materials as installed by Declarant. All of such maintenance shall be the responsibility of the Owner of each Condominium; provided, however, that if any Owner shall fail to maintain or make the repairs or replacement which are the responsibility of such Owner, as provided above, then, upon vote of a majority of the Board of Directors, and after not less than thirty (30) days' notice to the Owner, the Association shall have the right (but not the obligation) to enter the Condominium and provide such maintenance or make such repairs or replacements, and the cost thereof shall be a Reimbursement Assessment chargeable to such Condominium and shall be payable to the Association by the Owner of the Condominium. The Association shall repair any damage caused by an entry into a Unit by or on behalf of the Association.

Section 5. Repair and Maintenance of Certain Association Property by or at the Expense of Owners. In the event the Board shall determine that the Association Property has been damaged by an Owner, their guests or invitees, the Owner of the Unit shall be responsible for repairing such damage in a timely manner and in accordance with such Association Rules as the Board shall from time to time adopt. In the event such repair is not so accomplished by the Owner, the Association or its delegates shall have the right to effect such repair, and the cost thereof shall be charged to the Owner of the Unit and, if not paid in a timely manner, shall be deemed a Reimbursement Assessment.

Section 6. Additional Restrictions on Power of the Board. The Association shall be prohibited without the prior vote or written assent of a majority of the votes residing in Members other than Declarant, from doing any of the following: (a) incurring aggregate expenditures for capital improvements to any portion of the Property in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or (b) selling during any fiscal year of the Association property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for the fiscal year; (c) paying compensation to members of the Board or to officers of the Association for services performed in the conduct of the 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 Association; or (d) filling of a vacancy on the Board created by the removal of a Board member.

Section 7. Limitation on Board Authority to Contract. The Board of Directors shall be prohibited from taking any of the following actions, except with the assent, by vote at a meeting of the Association or by written ballot without a meeting, pursuant to Corporations Code Section 7513, of a simple majority of the Members, other than the Declarant, constituting a quorum consisting of more than 50 percent of the voting power of the Association residing in Members other than the Declarant: Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area, Association Property or the Association for a term longer than one year with the following exceptions: (a) a management contract, the terms of which have been approved by the Federal Housing Administration or Department of Veterans Affairs; (b) 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; (c) prepaid casualty and/or liability insurance policies of not to exceed three years duration, provided that the policy permits for short rate cancellation by the insured; (d) a lease agreement for laundry room fixtures and equipment of not to exceed five years duration provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; or (e) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five years duration provided that the supplier is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more; (f) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years duration provided that the supplier or suppliers are not entities in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more; or (g) a contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty or other obligation upon ninety (90) days written notice of termination to the other party.

Section 8. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities of public utilities which are located within easements over the Common Area or Association Property owned by such public utilities. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 9. Rights of Entry. The Board of Directors shall have a limited right of entry in and upon the exterior portions of the Dwelling and the Yard areas of all Units, together with such other portions of Units reasonably necessary to gain access to and from any Yard areas, for the purpose of inspecting the Project and taking whatever corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property to be maintained or repaired by the Owner of any Unit. Any damage caused by an entry into such portion(s) of a Unit shall be repaired by the entering party. Nothing in this Article shall in any manner limit the right of the Owner to exclusive occupancy and control over the interior of their Unit. However, an Owner shall grant a right of entry over all exterior portions of such Owner's Unit to the Board of Directors or any other person authorized by the Board of Directors in case of any emergency originating in or threatening their Unit, whether the Owner is present or not. Furthermore, an Owner shall permit other Owners, or their representatives, to enter the Yard portion of their Unit for certain purposes pursuant to the Article of this Declaration entitled "EASEMENTS". Except in cases of emergency, the Owner seeking entry onto another Unit shall give reasonable advance notice to the Owner whose Unit is to be entered prior to any such entry and shall enter such other Unit only at such time(s) as are reasonably convenient to the Owner of such other Unit. In case of an emergency, such right of entry shall be immediate. The Association shall have the right to adopt Association Rules regarding all aspects of the entry rights created by this Section.

Section 10. Association Rules. The Board shall also have the power to adopt, amend, and repeal such Association Rules as it deems reasonable which may include the establishment of a system of fines and penalties enforceable as a Reimbursement Assessment, as more fully set forth in the Bylaws of the Association. The Association Rules shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Common Area or Association Property; provided, however, that the Association Rules may not discriminate among Owners, and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Association Rules shall be delivered to each Owner. The Association Rules shall have

the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby. Current copies of the Declaration, the Articles of Incorporation and Bylaws of the Association, and Association Rules shall be available for inspection by Owners or by Mortgagees during normal business hours of the Association.

Section 11. Damage by Owner or Tenant of an Owner to the Common Area, Association Property or Other Units. In the event the Board shall determine that a Unit Owner or tenant of a Unit Owner has caused damage to another Unit, to the Association Property or to the Common Area by a negligent or willful act (or failure to act), the Owner or tenant causing such damage shall be responsible for the cost of repairing such damage in accordance with such Association Rules as the Board shall from time to time adopt. In the event such Owner or tenant fails to pay the cost of any necessary repair to the Unit or the Common Area or Association Property so damaged, the Association shall charge the cost of such repair to the Owner or tenant who caused the damage and if not paid in a timely manner, such cost shall be deemed a Reimbursement Assessment.

Section 12. Damage from Wood-Destroying Pests. The Association shall be responsible for the repair and maintenance of the Association Property occasioned by the presence of wood-destroying pests or organisms, and each Owner shall be responsible for the repair and maintenance of their Unit occasioned by the presence of wood-destroying pests or organisms. The Association may cause the temporary, summary removal of any occupant of a Unit for such periods and at such times as may be necessary for prompt, effective treatment of wood-destroying pests or organisms for which the Association is responsible. In the event of such removal, the Association shall give notice as specified in California Civil Code Section 1364, and such notice by the Association shall be deemed complete when given as specified therein.

Section 13. Association Documents to Declarant. In addition to documents to be provided to Declarant as set forth in Section 1 of the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5," commencing with the close of the first sale escrow and terminating ten (10) years after the closing of the final sale escrow for a Condominium in the Project, the Board shall provide Declarant or a designated representative of Declarant copies of the minutes of each meeting of the Association or its Board, copies of all correspondence to the Members, and a full copy of the reserve study conducted pursuant to Civil Code Section 1365.5, as set forth in the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5." Declarant shall further be entitled to: (a) inspect and copy the books and records of the Association during normal business hours; and (b) receive written notice of all meetings of Owners of the Association and be permitted to designate a representative to attend all such meetings. In the event Declarant is no longer an Owner of a Unit, the Board shall notify Declarant of the amount of

reimbursement of the Association's costs that Declarant is required to pay prior to making such distribution which shall be equal to the cost it would charge its Members for such distribution, if any.

Section 14. Retaining Walls. Declarant may cause certain retaining walls to be constructed adjacent to slopes. From and after conveyance of the Association Property to the Association, maintenance of the structural integrity of such retaining walls shall be the obligation of the Association. No Owner whose Unit fronts upon such a retaining wall shall modify, damage or disturb such retaining wall or otherwise act or fail to act in any way which may impair or compromise the structural integrity of such retaining wall.

Section 15. Litigation Authority. The Association shall be authorized, but not required, to perform any act reasonably necessary to resolve any civil claim or action through alternative dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration proceedings. The Board, on behalf of the Association, shall also be authorized, but not required, to perform the following acts:

(a) To provide, or in good faith attempt to provide, one hundred twenty (120) days advance notice of the Association's intent to initiate the prosecution of any civil action and of the nature and basis of the claim to every member of the Association and every entity or person who is a prospective party to the civil action; provided that notice can be given (i) more than one hundred twenty (120) days prior to the expiration of any pertinent statute of limitations, and (ii) without prejudice to the Association's right to enforce the governing documents, and further provided that no such notice need be given prior to the filing of an action in small claims court or an action solely to enforce assessment obligations;

(b) Prior to initiating the prosecution of a civil action solely for declaratory relief or injunctive relief to enforce the Declaration, or for declaratory relief or injunctive relief to enforce the governing documents in conjunction with a claim for monetary damages not in excess of five thousand dollars (\$5,000), to endeavor to submit the matter to alternative dispute resolution in compliance with the provisions of Section 1354(b) of the Civil Code;

(c) At the time of filing a civil action either by the Association or an Owner or a Member of the Association solely for declaratory relief, or for declaratory relief or injunctive relief in conjunction with a claim for monetary damages not in excess of five thousand dollars (\$5,000), related to the enforcement of the governing documents, the party filing the action shall file with the complaint a certificate, which complies with subdivision (c) of Section 1354 of the California Civil Code, stating that alternative dispute resolution has been completed in compliance with subdivision (b) of Section 1354 of the California Civil Code;

(d) Immediately after initiating the prosecution or defense of any civil action, making a reasonable effort, in good faith, to meet and confer with every person who is a party concerning appropriate processes for resolving the civil action, including available alternative dispute resolution proceedings, concerning appropriate processes for avoiding or reducing costs or losses by the parties associated with the action; providing an opportunity to cure any alleged defect in Common Area or facilities which is the basis for the action; and providing for the scope of discovery, if any, to be conducted prior to the inception of any alternative dispute resolution procedure;

(e) Considering diversion of the prosecution or defense of any civil action to alternative dispute resolution proceedings such as mediation, nonbinding arbitration, or binding arbitration; and

(f) Agreeing to participate and participating fully and in good faith in the resolution of any civil action through any alternative dispute resolution proceedings, including, but not limited to, mediation, nonbinding arbitration, and binding arbitration, and paying costs reasonably incurred by the Association on account of those alternative dispute resolution proceedings.

(g) Members of the Association shall annually be provided a summary of the provisions of Section 1354 of the California Civil Code which specifically references Section 1354 of the California Civil Code. The summary shall include the following language: "Failure by any Member of the Association to comply with the prefiling requirements of Section 1354 of the California Civil Code may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the governing documents." The summary shall be provided either at the time the pro forma budget required by Section 1365 is distributed or in the manner specified in Section 5016 of the Corporations Code.

Section 16. Payment of Charges Under Protest; Remedy Options.

(a) The exception for disputes related to Association assessments in subdivision (b) of Section 1354 of the California Civil Code shall not apply if, in a dispute between the Owner of a Unit and the Association regarding the assessments imposed by the Association, the Owner of the Unit chooses to pay in full to the Association all of the charges listed as follows:

- (i) The amount of the assessment in dispute;
- (ii) Late charges;
- (iii) Interest;

(iv) All fees and costs associated with the preparation and filing of a Notice of Delinquent Assessment, including all mailing costs, and including attorney's fees not to exceed four hundred twenty-five dollars (\$425).

In addition to paying the above-referenced charges, the Owner must state by written notice that the amount is paid under protest, and the written notice must be mailed by certified mail not more than thirty (30) days from the recording of a Notice of Delinquent Assessment in accordance with Section 1367 of the California Civil Code. In those instances, the Association shall inform the Owner that the Owner may resolve the dispute through alternative dispute resolution as set forth in Section 1354 of the California Civil Code, civil action, and any other procedures to resolve the dispute that may be available through the Association.

(b) The right of any Owner of a Unit to utilize alternative dispute resolution under Section 1366.3 of the California Civil Code may not be exercised more than two times in any single calendar year, and not more than three times within any five calendar years. Nothing within Section 1366.3 of the California Civil Code shall preclude any Owner of a Unit and the Association, upon mutual agreement, from entering into alternative dispute resolution for a number of times in excess of the limits set forth in this paragraph. The Owner of a Unit may request and be awarded through alternative dispute resolution reasonable interest to be paid by the Association on the total amount paid under subparagraphs (i) through (iv) above if it is determined through alternative dispute resolution that the assessment levied by the Association was not correctly levied.

ARTICLE VIII

INSURANCE

Section 1. Owner's Insurance. Each Owner shall obtain and continue in effect in their own name a policy of fire and casualty insurance with extended coverage for the full replacement value of such Owner's Dwelling and appurtenant improvements within their Unit unless the Association is required to obtain such insurance in accordance with Section 7 of this Article.

Section 2. Duty to Obtain Insurance; Types. The Board of Directors on behalf of the Association, to the extent available, shall obtain and continue in effect in its own name the following types of insurance:

(a) A comprehensive policy of public liability insurance covering the Common Areas with a limit of not less than One Million Dollars (\$1,000,000.00) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against such risks as shall customarily be covered or available with respect to planned unit developments and shall contain an endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts or omissions of the Association or other Owners;

(b) A policy of fire and casualty insurance with extended coverage for the full replacement value of the Common Area or Association Property improvements, without deduction for depreciation, and clauses waiving subrogation against Owners and the Association and persons upon the Property with the permission of an Owner, such insurance to afford protection against loss or damage by fire and other hazards covered by the standard extended coverage policy of hazard insurance;

(c) Fidelity coverage against dishonest or fraudulent acts on the part of directors, officers, managers, trustees, employees or volunteers who handle or who are responsible for handling funds belonging to or administered by the Association in the same amount set forth above for public liability insurance; and such fidelity coverage shall name the Association as obligee and beneficiary, and shall be written in an amount equal to at least the estimated maximum of funds, including reserves, in the custody of the Association or a management agent at any given time during the term of the fidelity bond. However, the bond shall not be less than a sum equal to three (3) months' aggregate assessments on all Units, plus reserve funds. The bond shall cover persons serving without compensation by endorsement to the policy if not otherwise covered under the policy.

(d) The Board of Directors may purchase such other insurance as it may deem necessary, including, but not limited to, plate glass insurance, medical payments, malicious mischief and

vandalism insurance, worker's compensation, and directors and officer's liability, or such other types of fidelity bonds, insurance policies, coverage and endorsements as may be required from time to time pursuant to the article herein entitled "RIGHTS OF MORTGAGEES."

All insurance policies required to be obtained by the Association pursuant to this Declaration shall show the Association, or an authorized representative of the Association (including its insurance trustee), as the named insured. The "loss payable" clause of said policies shall show the Association or the insurance trustee as a trustee for each Owner and the Mortgagee.

Section 3. Waiver by Members. As to each of said policies which will not be voided or impaired thereby, the Members hereby waive and release all claims against the Association, the Board, the Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 4. Other Insurance; Annual Review. The Association may purchase such other insurance as it may deem necessary, including, but not limited to, plate-glass insurance, workmen's compensation, officers' and directors' liability, and errors and omissions insurance. The Board shall annually determine whether the amounts and types of insurance it has obtained provide adequate coverage for the Association in light of inflation, practice in the area in which the Property is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interests of the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 5. Premiums and Proceeds. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be an expense to be included in the Regular Assessments levied by the Association. The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and the Members.

Section 6. Payment of Taxes or Premiums by Mortgagees. Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area, unless such taxes or charges are separately assessed against the Owners, in which case the rights of Mortgagees shall be governed by the provisions of their Mortgages. Mortgagees may, jointly or singly, also pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a

policy, for the Common Area and the Mortgagee making such payments shall be owed immediate reimbursement therefor from the Association.

Section 7. Requirements of Federal Agencies.

Notwithstanding the foregoing provisions of this Article, the Association shall obtain and maintain in effect such fidelity bonds and insurance policies, coverages and endorsements which shall be established from time to time by the one or more of the Federal Agencies, except to the extent that any such policies, coverages and endorsements are not available or have been waived in writing by the particular Federal Agency that had imposed the requirements. (a) Fidelity Bond; (b) Hazard Insurance; (c) Liability; (d) Flood Insurance; and (e) Earthquake Insurance. All insurance policies must have the "standard mortgagee clause" or equivalent endorsement providing that coverage of a mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the Mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Properties are located, unless such coverage is prohibited by applicable law. A mortgagee clause in favor of mortgagees holding Mortgages on Units is not required on a policy insuring the Association Property or Common Area.

The Association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use.

In the event that the Association decides to obtain blanket policies of hazard insurance for the Dwelling within the Units, neither the Association nor the Owners shall be required to rebuild after destruction by fire or other casualty or loss unless the Dwellings within the Units are insured under a group or blanket hazard insurance policy which contains a "Replacement Cost Endorsement" providing for replacement of the Dwelling within the Units from the proceeds of such insurance. The Association shall not have the authority to rebuild the Dwelling within the Units and assess the cost of repair or replacement to the Owner of a Unit experiencing such loss; provided, however, in the event of a shortfall in funds necessary to rebuild a Dwelling by reason of undercoverage under the blanket policy, such shortfall for purposes of reconstruction may be obtained through a Special Assessment levied against all Units in the Property in accordance with the procedures for a Special Assessment as set forth in the Article of this Declaration entitled "Covenant For Maintenance Assessments".

Section 8. Annual Notification of Insurance.

The Association shall, upon issuance or renewal of insurance, but no less than annually, notify its Members as to the amount and type of insurance carried by the Association, and it shall accompany this notification with statements to the effect that the Association is or is not insured to the levels specified by Section 1 of this Article, and that if not so insured, Owners may be individually liable for the entire amount of a judgment, and if the Association is insured to the levels specified in Section 1 above, then Owners may be individually

liable only for their proportional share of assessments levied to pay the amount of any judgment which exceeds the limits of the Association's insurance. The Association shall further prepare and distribute to all its Members a summary of the Association's insurance coverage pursuant to Section 1365 of the California Civil Code.

Section 9. Notice of Cancellation or Modification of Coverage. All insurance policies and fidelity bonds maintained by the Association must provide that such policies or bonds may not be cancelled, reduced or substantially modified without at least ten (10) days' prior written notice to the Association and in the case of fidelity bonds, to each mortgage servicing contractor acting on behalf of any of the Federal Agencies. The Association shall, upon issuance or renewal of insurance, but no less than annually, notify its Members as to the amount and type of insurance carried by the Association, and it shall accompany this notification with statements to the effect that the Association is or is not insured to the levels specified by Section 2 of this Article, and that if not so insured, Owners may be individually liable for the entire amount of a judgment, and if the Association is insured to the levels specified in Section 2 above, then Owners may be individually liable only for their proportional share of assessments levied to pay the amount of any judgment which exceeds the limits of the Association's insurance. The Association shall further prepare and distribute to all its Members a summary of the Association's insurance coverage pursuant to Section 1365 of the California Civil Code as further set forth in the Article of this Declaration entitled "COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5."

ARTICLE IX

PARTITION

An action may be brought by one or more Owners of the Condominiums for partition of the Project in which their Condominium is located by sale of the Project as a whole, as if the Owners of all of the Condominiums in such Project were tenants-in-common in the entire Project in the same proportion as their interests in the Common Area; provided, however, that a partition shall be made only upon the showing of the occurrence of any one of the events provided in Section 1359 of the California Civil Code, as the same may be modified, amended or superseded. Nothing herein contained shall prevent the partition or division of interests between joint or common Owners of one Condominium. Notwithstanding anything to the contrary contained in this Declaration, no Unit in the Project may be partitioned or subdivided without the prior written approval of the First Mortgagee on such Condominium.

The Association is hereby granted an irrevocable power of attorney to sell the Project for the benefit of all the Owners thereof when partition of the Owners' interest in said Project may be had pursuant to this Section. The power of attorney herein granted may be exercised upon the vote or written consent of Owners holding in the aggregate at least two-thirds (2/3) of the interest in the Common Area by any two (2) members of the Board who are hereby authorized to record a Certificate of Exercise in the Office of the County Recorder of Orange County, which Certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith; provided, however, that said power of attorney shall not apply to the Secretary of the Department of Veterans Affairs, an Officer of the United States of America.

The proceeds from the partition or liquidation of the Project or from the termination of the Project shall be distributed among the Owners and the individual lenders by the Board as their respective interest may appear; provided that the balance then due on any valid encumbrance of record shall be first paid in order of priority, before the distribution of any proceeds to an Owner whose Condominium is so encumbered. The proportionate interest of the Owners of the respective Condominiums sharing in any such distribution shall be based upon the respective fair market value that each of the Condominiums bears to the total fair market value of all of the Condominiums in the Project sharing in the distribution. The proportionate value of the Owners of the respective Condominiums for purposes of this Section shall be based upon the respective fair market value of each Condominium at the time of partition as determined by the Board based on an appraisal prepared by an appraiser who is a M.A.I. member of the American Institute of Real Estate Appraisers.

ARTICLE X

PROHIBITION AGAINST SEVERABILITY OF COMPONENT INTEREST IN CONDOMINIUM

No Owner shall be entitled to sever their Unit from their equal undivided interest in the Common Area nor shall the respective undivided interests established and to be conveyed with each respective Unit be changed. The equal undivided interest or interests in the Common Area and the fee title to the respective Units conveyed therewith together with any exclusive easements appurtenant to each Unit shall not be separated, severed or separately conveyed, encumbered or otherwise transferred, and each such equal undivided interest in the Common Area shall conclusively be deemed to be conveyed, transferred or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit. It is intended hereby to restrict severability of the various components of a Condominium in the manner provided by Section 1359 of the California Civil Code. Nothing herein contained shall be construed to preclude an Owner of any Unit from creating a co-tenancy in the ownership of a Unit with any other person or persons.

ARTICLE XI

RIGHT OF OWNERS OF CONDOMINIUMS TO MAKE IMPROVEMENTS

(California Civil Code Section 1360)

Subject to the provisions of this Declaration, the Association Rules, and other provisions of applicable law, if the boundaries of the Condominium are contained within a building, the Owner of a Unit shall be entitled to do the following:

(a) Make any improvements or alterations within the boundaries of their Unit that do not impair the structural integrity or mechanical systems of the Unit, or lessen the support of any portions of the Common Area or the Association Property;

(b) Modify a Unit in the Project, at the Owner's expense, to facilitate access for persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which could be hazardous to these persons. These modifications may also include modifications of the route from the public way to the door of the Unit for the purpose of this Article if the Unit is on the ground floor or already accessible by an existing ramp or elevator. The rights granted by this Article are subject to the following conditions: (i) the modifications shall be consistent with applicable Building Code requirements; (ii) the modifications shall be consistent with the intent of otherwise applicable provisions of this Declaration pertaining to safety or the aesthetic integrity of the Project; (iii) modifications which are external to the Unit shall not prevent reasonable passage by other residents, and shall be removed by the Owner when the Unit is no longer occupied by persons requiring those modifications who are blind, visually handicapped, deaf or physically disabled; (iv) any Owner who intends to modify a Unit pursuant to this Article shall submit their plans and specifications to the Architectural Committee of the Association for review to determine whether the modifications will comply with the provisions of this Article. The Association shall not deny approval of the proposed modifications under this paragraph without good cause; and (v) any change in the exterior appearance of a Unit shall be in accordance with the provisions of this Declaration and all applicable provisions of law.

ARTICLE XII

ARCHITECTURAL CONTROL

Section 1. Architectural Approval. No building or other structure or Improvement (including, but not limited to, landscaping) shall be commenced, erected, altered or maintained upon the Project (except for all original Improvements constructed within the Project by Declarant) nor shall any exterior addition to or change or alteration to any Unit be made, nor shall any change in original exterior color and/or any structure be made until the plans and specifications showing the nature, kind, shape, height, materials and locations of the same shall have been submitted to and approved in writing as to harmony of external design of the Improvements and location in relation to the existing design of the Project by the Architectural Committee as provided for in Section 3 of this Article. No landscaping or other Improvement shall be commenced, erected, altered or maintained within the exterior portions of an Owner's Dwelling and/or a rear Yard which would extend above the horizontal line established by the surrounding fence or wall and be visible from other Units without the prior written approval of the Architectural Committee. In the event said Committee or its designated representatives fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Article will be deemed to have been fully complied with.

Section 2. Appointment of Architectural Committee. The Declarant shall initially appoint the Architectural Committee, consisting of not less than three (3) members as shall be determined by the Board, who shall remain in office until the first anniversary date of the issuance of the original Public Report on the Property. Thereafter, the Declarant shall have the right to appoint a majority of the members of the Architectural Committee and the Board of Directors of the Association shall have the power to appoint one member of the Architectural Committee until such time as ninety percent (90%) of the Condominiums in the Property have been sold, or until the fifth (5th) anniversary date of the issuance of the original Public Report on the Property, whichever first occurs. From and after such time or event, as the case may be, the Architectural Committee shall be appointed by the Board of Directors of the Association and shall be composed of three (3) or more representatives who must be members of the Association. Any member appointed to the Architectural Committee by Declarant need not be members of the Association. In the event of the death or resignation of any member of the Committee prior to the time when the Board of Directors of the Association is vested with authority, the Declarant shall have the right to appoint such member's successor. In the event of the death or resignation of any member of the Committee who has been appointed by the Board, the Board shall have the right to appoint such member's successor.

Section 3. Approval and Conformity of Plans. The Board shall, from time to time, adopt and promulgate Architectural Standards to be administered through its Architectural Committee. Failure to comply with the requirements for Architectural Committee approval shall be deemed sufficient basis for the Architectural Committee to refuse to review the submission. If the Architectural Standards so provide, no improvement, alteration, or addition shall be commenced, erected or maintained upon the Property, nor shall there be any addition to or change in the exterior of any Dwelling, structure or other Improvement, unless plans and specifications therefor have been submitted to and approved by the Architectural Committee. The Architectural Standards shall include among other things those restrictions and limitations upon the Owners set forth below:

(a) Time limitations for the completion of the architectural improvements for which approval is required pursuant to the Architectural Standards;

(b) Conformity of completed architectural improvements to plans and specifications approved by the Architectural Committee; provided, however, as to purchasers and encumbrancers in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating Unit and its Owner and specifying the reason for the notice, executed by the Architectural Committee, shall be filed of record in the Office of the County Recorder of Orange County, California, and given to such Owner within thirty (30) days of the expiration of the time limitation described in subsection (a) above, or unless legal proceedings shall have been instituted to enforce compliance or completion within said thirty (30) day period, the completed architectural improvements shall be deemed to be in compliance with plans and specifications approved by the Architectural Committee and in compliance with the Architectural Standards of the Association, but only with respect to purchasers and encumbrancers in good faith and for value;

(c) Such other limitations and restrictions as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the following: construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, including, without limitation, the nature, kind, shape, height, materials, exterior color and surface and location of such Dwelling or structure.

Section 4. No Waiver of Future Approvals. The approval of the Architectural Committee of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Architectural Committee shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

Section 5. Nonliability of Architectural Committee Members. Neither Declarant, the Architectural Committee nor any member of the Architectural Committee, the Board nor their duly authorized representative, shall be liable to the Association, or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the Architectural Committee's duties hereunder, unless due to the willful misconduct or bad faith of the Architectural Committee. The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Property generally. The Architectural Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Architectural Committee's approval or disapproval shall be based solely on the considerations set forth in this Article, and the Architectural Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety or conformance with building or other codes.

Section 6. General Provisions. The members of such committee shall not be entitled to any compensation for services performed pursuant to this covenant. The powers and duties of such committee shall cease upon termination of this Declaration. Thereafter the approval described in this covenant shall not be required unless, prior to said date and effective thereon, a written instrument shall be executed and duly recorded by the then record Owners of a majority of the Units appointing a representative or representatives who shall thereafter exercise the same powers previously exercised by said committee. Said representatives may be members of the Board of Directors of the Association.

Section 7. Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Committee. The Board shall submit such request to the appropriate Architectural Committee for review, whose written recommendations will be submitted to the Board. In the event plans and specifications submitted to the Architectural Committee are approved, such decision shall be final unless the decision is appealed to the Board within ten (10) days of the decision by the Architectural Committee. Such decision may be appealed by any member of the Board, the Architectural Committee or any Owner. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the decision made by the Architectural Committee.

Section 8. Nonapplicability to Declarant. The provisions of this Article shall not apply to any portion of the Property owned by Declarant prior to the construction on such Property by Declarant of a residential dwelling unit or prior to the conveyance of such Unit by Declarant to a member of the public.

Section 9. Community Association Architectural Control. In addition to the provisions of this Article, each Owner of a Unit within the Project shall be subject to the architectural and landscaping control restrictions and provisions of the Community Declaration.

ARTICLE XIII

RIGHTS OF MORTGAGEES

Notwithstanding any provisions to the contrary as may be provided elsewhere in this Declaration, Mortgagees shall have the following rights:

Section 1. Notice to Mortgagees. Any Mortgagee, insurer or guarantor of any Mortgage on a Condominium shall be entitled to receive, upon delivery of written request to the Association, written notice of:

(a) Any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its mortgage;

(b) Any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds the First Mortgage;

(c) A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

(d) Any proposed action that requires the consent of a specified percentage of First Mortgagees.

Written request to the Association for the above-referenced information must include the following: Mortgagee's name and address, the address and/or Unit number of the Unit for which it holds, insures or guarantees the Mortgage.

Section 2. Assessments on Foreclosure. Any First Mortgagee who comes into possession of any Condominium pursuant to the remedies provided in the Mortgage, or through foreclosure of the Mortgage, shall take title to such Condominium free of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time the Mortgagee acquired title to the Condominium.

Section 3. Material Amendments to Declaration.

(a) Limitations on Amendments of a Material Nature. Amendments of a material nature must be approved by Owners who represent at least sixty-seven percent (67%) of the total allocated votes in the Association and Mortgagees who represent at least fifty-one percent (51%) of the votes of Condominiums that are subject to Mortgages held by First Mortgagees. A change to any of the provisions of this Declaration governing the following shall be considered as material:

(i) Voting rights;

- (ii) Increases in assessments that raise the previously assessed amount by more than 25 percent, assessment liens, or the priority of assessment liens;
- (iii) Reductions in reserves for maintenance, repair and replacement of Common Area and Association Property;
- (iv) Responsibility for maintenance and repairs;
- (v) Reallocation of interests in the Common Area, or rights to their use;
- (vi) Redefinition of any Unit boundaries;
- (vii) Convertibility of Units into Common Area or vice versa;
- (viii) Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project;
- (ix) Hazard or fidelity insurance requirements;
- (x) Imposition of any restrictions on the leasing of Condominiums;
- (xi) Imposition of any restrictions on a Condominium Owner's right to sell or transfer their Condominium;
- (xii) A decision by the Association of a project that consists of 50 or more units to establish self-management if professional management had been required previously by this Declaration or by a First Mortgagee;
- (xiii) Restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in this Declaration or otherwise provided by statute;
- (xiv) Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs, except as otherwise provided by statute; or
- (xv) Any provisions that expressly benefit First Mortgagees, insurers or guarantors.

The approval of First Mortgagees representing at least sixty-seven percent (67%) of the votes of the mortgaged Units is required for termination of the legal status of the Project for reasons other than substantial destruction or condemnation of the Property.

For purposes of this section, whenever the approval of a specified percentage of First Mortgagees is required, it shall be deemed to mean the vote or written consent of a specified percentage only of those First Mortgagees which have delivered written notice to the Board requesting to be notified of any proposed action that requires their consent. When written approval or consent of First Mortgagees is required pursuant to the terms of this Section, such approval may be implied when such First Mortgagee fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.

(b) Limitations on Actions of Association. Except as provided by statute, in case of condemnation or substantial loss to the Units and/or Common Area of the Project, unless at least sixty-seven percent (67%) of the First Mortgagees (based on one vote for each First Mortgage owned) or Owners (other than the Declarant) of the individual Condominium Units have given their prior written approval, the Association may not:

(i) By act or omission seek to abandon or terminate the Condominium status of the Project, except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;

(ii) Change the pro rata interest or obligations of any Condominium for the purposes of levying assessments and charges or allocating distributions of hazard insurance proceeds or condemnation awards, or determining the pro rata share of ownership of each Unit in the Common Area;

(iii) Partition or subdivide any Condominium or the Common Area of the Project;

(iv) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area of the Project. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area of the Project shall not be deemed a transfer within the meaning of this provision;

(v) Use hazard insurance proceeds for losses to any portion of the Project (whether to Units or to Common Area) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Units and/or Common Area of the Project;

(vi) By act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design of the exterior appearance of the Units, the exterior maintenance of the Units, the maintenance of the Common Area property, including walks, fences, driveways and landscaping;

(vii) Fail to maintain fire and extended coverage on insurable Common Area property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost).

Section 4. Additional Rights of First Mortgagees. Any First Mortgagee, or insurer or guarantor of a First Mortgage, will, upon written request, be entitled to: (a) inspect the books and records of the Association during normal business hours; and (b) receive an annual audited financial statement of the Association within one hundred twenty (120) days following the end of any fiscal year of the Association if such financial statement is required of the Association pursuant to the terms of this Declaration or the California Civil Code; and (c) written notice of all meetings of Owners of the Association and be permitted to designate a representative to attend all such meetings.

Section 5. Right of First Refusal. Any First Mortgagee who comes into possession of a Unit pursuant to the remedies provided in such Mortgage, or foreclosure of the Mortgage, or deed (assignment) in lieu of foreclosure, shall be exempt from any right of first refusal, and any right of first refusal shall not impair the rights of a First Mortgagee to:

(a) Foreclose or take title to a Unit pursuant to the remedies provided in the Mortgage, or

(b) Accept a deed (or assignment) in lieu of foreclosure in the event of default by the trustor or mortgagor of the Mortgage, or

(c) Sell or lease a Unit acquired by the Mortgagee.

Section 6. Priority on Distribution of Proceeds. No Owner or any other party shall have priority over any rights of First Mortgagees on individual Condominiums pursuant to their Mortgages in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Units and/or Common Area.

Section 7. Insurance. The Owners and the Association shall procure and maintain fire and liability insurance and such other insurance as may from time to time be required by First Mortgagees on Condominiums within the Project. All such insurance shall contain loss payable clauses naming the Mortgagees which encumber a Condominium by a First Mortgage, as their interests may appear.

Section 8. Notice of Condemnation and Destruction. The Association shall provide to all First Mortgagees who have requested it written notice of any condemnation proceedings or casualty loss affecting a material portion of the Project or the Unit securing the Mortgage. The Association shall also provide to all Mortgagees who have requested it written notice of substantial damage to or

destruction of any Unit or any portion of the Common Area of the Project.

Section 9. Notice of Loss or Condemnation to FHLMC.
The Association agrees to give written notice to the Federal Home Loan Mortgage Corporation ("FHLMC") or its designated representative of any loss to, or taking of, the Common Area of the Project if such loss or taking exceeds \$10,000.00 or damage to or taking of a Unit covered by a First Mortgage purchased in whole or in part by the FHLMC if such loss or taking exceeds \$1,000.00.

Section 10. No Obligation to Cure Default. Any First Mortgagee who acquires title by foreclosure or deed in lieu of foreclosure shall not be obligated to cure any breach of this Declaration which is noncurable or of a type which is not practical or feasible to cure.

Section 11. Information. Any First Mortgagee is authorized to furnish information to the Board of Directors concerning the status of any loan encumbering a Condominium.

Section 12. Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions contained in this Declaration, nor the enforcement of any lien provisions created herein, shall affect, impair, defeat or render invalid the lien of any first mortgage or first deed of trust made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Condominium.

Section 13. FHLMC and FNMA Insurance Requirements. If any loan secured by a Mortgage encumbering a Condominium is owned by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), or their successors or assigns, or is tendered to FNMA or FHLMC, or their successors or assigns, for purchase, the Association and the Owners shall obtain and maintain in full force and effect all insurance coverages which may at any time and from time to time be required by FNMA or FHLMC, or their successors or assigns, and shall otherwise comply in all respects with all insurance requirements of FNMA or FHLMC which may be in effect at any time and from time to time.

Section 14. Payment of Taxes or Premiums by First Mortgagees. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area, unless such taxes or charges are separately assessed against the Owners, in which case the rights of First Mortgagees shall be governed by the provisions of their Mortgages. First Mortgagees may, jointly or singly, also pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area and the First Mortgagee making such payments shall be owed immediate reimbursement therefor from the Association.

Section 15. Priority of this Article. If there is any conflict between any provision of this Article and any other provision in this Declaration, the provisions contained in this Article shall control.

ARTICLE XIV

ENFORCEMENT OF BONDED OBLIGATIONS

In the event that the improvements to the Association Property or Common Area of the Project have not been completed prior to the issuance of a Final Subdivision Public Report covering such tract by the Department of Real Estate of the State of California, and the Association is obligee under a bond or other arrangement (hereinafter the "Bond") to secure performance of the commitment of Declarant to complete such improvements, the following provisions shall apply:

(a) The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Association Property or Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

(b) In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the Bylaws dealing with meetings of the Members, but in any event such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting, signed by Members representing five percent (5%) or more of the total voting power of the Association.

(c) The only Members entitled to vote at such meeting shall be the Owners other than Declarant. A vote at such meeting of a majority of the voting power of such Members, other than Declarant, to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XV

DAMAGE AND DESTRUCTION AFFECTING COMMON AREA AND ASSOCIATION PROPERTY

Section 1. Consent of Owners to Rebuild. If all or any portion of the Common Area or Association Property is damaged or destroyed by fire, or other casualty, and the amount of the insurance proceeds available plus the deductible amount designated in the fire and casualty insurance policy does not total at least ninety percent (90%) of the cost to repair or rebuild, then neither the Board, the Association, nor any agent or employee thereof shall be required or permitted to take any action to repair or rebuild the damaged portions, or to cause the damaged portions to be repaired or rebuilt without the written consent of at least fifty-one percent (51%) of the Members of each class as to the manner of repair or reconstruction and the payment therefor, except as provided in Section 2 of this Article in the event adequate insurance proceeds are available as set forth therein.

Section 2. No Consent Required With Adequate Insurance. If the cost of repairing or rebuilding the portion of the Common Area or Association Property so damaged or destroyed does not exceed by ten percent (10%) (less the deductible) the amount of insurance proceeds available to the Association, the Board shall be authorized and required without the consent or approval of the Members, to contract to repair or rebuild the damaged portions of the Common Area or Association Property substantially in accordance with the original plans and specifications therefor. Subject to the provisions of the Article of this Declaration entitled "RIGHTS OF MORTGAGEES," in the event any excess insurance proceeds remain, or in the event of a decision by the Association not to reconstruct or replace such damages or destroyed improvements, such sums may be retained in the general funds of the Association or all or a portion thereof may be distributed pro rata to the Owners, subject to the prior rights of Mortgagees whose interest may be protected by insurance policies carried by the Association. The rights of an Owner and the Mortgagee on their Unit as to such pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Unit.

Section 3. Amendment of Condominium Plan. In the event that reconstruction is to take place pursuant to this Article, the Board shall have the power to record an amendment to the Condominium Plan so that the Units conform to the Units as designed to be reconstructed; provided, however, the Board shall not file an amendment to the Condominium Plan without the prior authorization of all of the record fee Owners of the portion of the Property described on such Condominium Plan, and by either the trustee or the beneficiary of all of the recorded First Mortgages encumbering any Condominium shown on said Condominium Plan. In the event that the Board, together with said Owners and Mortgagees, if appropriate, decide to record such amendment to the Condominium Plan, all Owners within a Phase of the Project and the First Mortgagees in such Phase

of the Project shall execute and acknowledge said amendment so that it will comply with Section 1351 of the California Civil Code or any similar statute then in effect. The Owners and First Mortgagees shall also execute such other documents or take such other actions as required to make such amendment effective.

ARTICLE XVI

EMINENT DOMAIN

The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the Common Area, the Association Property or the improvements thereon, the Owners hereby appoint the Board and such persons as the Board may delegate to represent all of the Owners in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid to the Association. In the event of a taking of less than all of the Common Area or the Association Property, the rules as to restoration and replacement of the Common Area and Association Property and the improvements thereon shall apply as in the case of destruction of improvements upon the Common Area or Association Property. In the event of a total taking, the Board may in its sole discretion retain any award in the general funds of the Association or distribute pro rata all or a portion thereof to the Owners. The rights of an Owner and the Mortgagee of a Mortgage on their Unit as to such pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Unit.

ARTICLE XVII

EASEMENTS

Section 1. Utility Easements. Easements over the Project for the installation and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, and for drainage facilities as shown on the recorded map of the Property, and as may be hereafter required or needed to service the Project are hereby created by Declarant for the benefit of each Owner and the Association.

Section 2. Encroachment Easement. The Declarant, its successors and assigns, and all future Owners of Condominiums, by acceptance of their respective deeds, covenant and agree as follows:

(a) Each Unit, the Association Property and the Common Area is hereby declared to have an easement over all adjoining Units, Association Property and Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of any building, or any other similar cause, and any encroachment due to building over-hang or projection whether roof, eaves or otherwise, specifically including, without limitation, bay windows, fireplaces and floor area cantilevers. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settling or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful act or acts of said Owner or Owners. In the event a structure on any Unit is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Unit agree that minor encroachments over adjoining Units shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

(b) The Association Property, Common Area and each Unit are and shall always be subject to easements for minor encroachments thereon of the Unit, the Association Property or Common Area as a result of construction, reconstruction, repairs, shifting, settlement or movement of any portion of the Project, and a valid easement for the encroachment and for the maintenance of the same shall exist as long as the encroachment exists.

Section 3. Association Property Easements.

(a) Each Unit within the Property subject to this Declaration is hereby declared to have an appurtenant easement over all of the Common Area and Association Property, for the benefit of the Units, the Owners of the Units, and each of them, and for their respective families, guests, invitees, tenants and contract purchasers, for all of the purposes and uses set forth in this Article, and without limiting the generality of the foregoing, for

ingress and egress over and through the Association Property and Common Area. Additionally the Owner and occupants of Condominiums in any Phase of Development shall have reciprocal nonexclusive easements for ingress, egress and use over the Association Property and Common Area located within each other Phase annexed pursuant to the Article herein entitled "ANNEXATION," provided that a Notice of Completion, as defined in California Civil Code Section 3093, has been recorded for all of the Association Property Improvements in such respective Phase of Development and Certificates of Occupancy have been issued by the appropriate governmental agency for Units within such Phase. Such ingress, egress and use shall further be subject to the terms, limitations, restrictions and conditions set forth in this Declaration, any Supplementary Declaration, or to any Association Rules adopted by the Board.

(b) The Owner of each Unit and their agents and designees shall have a nonexclusive right of access ("easement") over that portion of the Association Property for purposes of gaining access for maintenance, repair, replacement and reconstruction of the Unit improvements. In exercising the right of entry upon the Association Property, the Owner of a Unit agrees to utilize reasonable care not to damage any landscaping or other items existing in the Association Property; provided, however, the Owner of a Unit shall not be responsible for damage to such landscaping or other items to the extent such damage could not be reasonably avoided in connection with such entry upon the Association Property for authorized purposes. The Owner of a Unit shall enter upon the Association Property for the above use at such Owner's own risk and assume all responsibility for acts and occurrences while exercising such right of entry for the above purposes. Except in cases of emergency, the Owner of a Unit shall give reasonable advance notice to the Association prior to any such entry upon the Association Property for the above easement and shall enter the Association Property for such purposes only at such time(s) as are reasonable. In the case of an emergency, such right of entry shall be immediate. Neither the Association nor the Owner of a Unit shall be entitled to attach anything, or permit or allow anything to become attached, to the outer walls of the Dwelling located adjacent to the Association Property unless specifically approved by the Architectural Committee.

Section 4. Utilities. Wherever sewer connections, water connections, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Property, the Owners of Units served by such connections, lines or facilities shall have an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service their Unit, and to enter upon the Units owned by others, or to have utility companies enter upon the Units owned by others, in or upon which said connections, lines or facilities, or any portion thereof lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below, provided that such Owner or utility company shall promptly repair any damage to a Unit caused by such entry as promptly as possible after completion of work thereon.

Section 5. Cluster Mailbox Easements. Declarant hereby creates easements over the Properties for the benefit of the Owners, the Corporation and the United States Postal Service for delivery, deposit and pick up of United States mail, for maintenance, repair and replacement of such mailboxes, and for ingress and egress to and across those portions of the Properties to the extent necessary for all such purposes. The easement rights and obligations of each Owner shall be limited to the mailbox that services such Owner and any appurtenances thereto and the portion of the Properties on which such mailbox and appurtenances are located and to the extent necessary to access said mailbox for all the foregoing purposes.

Section 6. Sideyard Easements.

(a) Certain Dwellings are located directly adjacent to the Yard areas of an adjoining Unit. Declarant hereby creates for itself and its successors and assigns, together with the right to grant and transfer the same, nonexclusive easements as set forth herein in order to accommodate the construction by Declarant of Dwellings which are located directly adjacent to the exterior portions of Dwelling or Yard areas of other Units within the Project. The Owner of each such Unit (the "dominant tenement") and its agents and designees shall have a nonexclusive right of access over that portion of the exterior portions of Dwelling and Yard areas of the adjoining Unit (the "servient tenement") lying within five (5) feet of the boundary of the Unit, together with such other portion of the servient tenement reasonably necessary for access to and from such five (5) foot wide area (collectively, "easement area"), for purposes of gaining access for maintenance, repair, replacement and reconstruction of the Dwelling or Improvement located on the dominant tenement and, where necessary, for purposes of reading utility meters serving the dominant tenement. In exercising the right of entry upon the servient tenement, the Owner of the dominant tenement agrees to utilize reasonable care not to damage any landscaping or other items existing in the easement area; provided, however, the Owner of the dominant tenement shall not be responsible for damage to such landscaping or other items to the extent such damage could not be reasonably avoided in connection with such entry upon the easement area for authorized purposes. The Owner of the dominant tenement shall enter upon and use the easement area at such Owner's own risk, except that the Owner of the servient tenement shall be responsible for any injury, damage or other claim suffered by the Owner of the dominant tenement by virtue of the willful misconduct or gross negligence of the Owner of the servient tenement. Except in cases of emergency, the Owner of the dominant tenement shall give reasonable advance notice to the Owner of the servient tenement prior to any such entry upon the easement area and shall enter the easement area only at such time(s) as are reasonably convenient to the Owner of the servient tenement. In the case of an emergency, such right of entry shall be immediate. The Owner of the dominant tenement shall also have the right of drainage on, over, across and upon the servient tenement for water draining from the Dwelling located on the dominant tenement. In addition, the Owner of the dominant tenement shall have the right of encroachment over the servient tenement for all of the

purposes set forth in the Section of this Article entitled "Encroachment Easement". The Owner of the servient tenement shall not be entitled to attach anything, or permit or allow anything to become attached, to the outer walls of the Dwelling located on the dominant tenement.

(b) The Association shall have the right to adopt Association Rules regarding all aspects of the easements created by this Section. In the event of any dispute arising between Owners concerning the use of the sideyard easement, said dispute shall be submitted to the Board for a resolution thereof. In the event the Board cannot or will not resolve such dispute, said dispute shall, at the request of either party, be submitted to arbitration before an arbitrator selected from the panels of the arbitrators of the American Arbitration Association in accordance with the commercial arbitration rules of the American Arbitration Association and the requirements of the laws of the State of California. If the parties are unable to agree on a single arbitrator, each will select one arbitrator who together will select a third.

Section 7. Exclusive Use Association Property Driveways.

(a) Reservation of Easement. Declarant hereby reserves for the benefit of the Owners of each Unit sharing an Exclusive Use Association Property Driveway, an exclusive easement ("Driveway Easement") for vehicular and pedestrian access, ingress and egress over such Exclusive Use Association Property Driveway. The scope of the Driveway Easement shall also include those uses reasonably related to vehicular and pedestrian ingress and egress and the right to maintain electrical, water, sanitary sewer, natural gas, telephone, surface and underground drainage facilities, cable television or any other type of utility line, cable pipeline, conduit or other transmission medium under or along the common driveway. Declarant intends that the scope of the Driveway Easement shall be interpreted in a broad manner for the purpose of allowing all proper activity consistent with providing driveway access to the Unit serviced by the Exclusive Use Association Property Driveways.

(b) Maintenance of Exclusive Use Association Property Driveways. The maintenance of each Exclusive Use Association Property Driveway shall be equally shared by the Owners of the Units having exclusive use of such Exclusive Use Association Property Driveway. If the Exclusive Use Association Property Driveway is damaged or destroyed by some cause (including ordinary wear and tear and deterioration from passage of time), other than the act or negligence of an adjoining Owner, their agents, guests or family, the cost of maintenance and repair of the Exclusive Use Association Property Driveway shall be shared equally by all Owners having use of the Exclusive Use Association Property Driveway. If any Exclusive Use Association Property Driveway, or portion thereof, is damaged or destroyed through the act or negligence of an Owner of an adjoining Unit, or by their family, guests, or agents, so as to deprive the other Owners of the full use and enjoyment of the

Exclusive Use Association Property Driveway, or any portion thereof, then the Owner whose act or negligence caused such damage or destruction shall promptly proceed to rebuild and repair the Exclusive Use Association Property Driveway to the condition as formerly existed, at such Owner's sole cost, without cost to other Owners. In the event of a dispute between Owners with respect to the sharing of the cost thereof, such Owners shall submit the matter to a binding arbitration to and under the rules of the American Arbitration Association.

(c) Use of Exclusive Use Association Property Driveway. No Owner entitled to use an Exclusive Use Association Property Driveway nor any other person shall erect any structure or conduct any activity, or otherwise cause to permit any activity or situation to exist, which will unreasonably impede or impair the use of the Exclusive Use Association Property Driveway by the other Owners entitled to use such area. Parking of any vehicles upon the Exclusive Use Association Property Driveway shall not be allowed, except in those areas, if any, which may be specifically designated for parking purposes by Declarant or the Corporation.

(d) Disputes. Unless otherwise stated herein, in the event of any dispute arising between Owners concerning an Exclusive Use Association Property Driveway, said dispute shall be submitted to the Board for a resolution thereof. In the event the Board cannot or will not resolve such dispute, or said dispute involves a Board Member, said dispute shall, at the request of either party, be submitted to arbitration before an arbitrator selected from the panels of the arbitrators of the American Arbitration Association in accordance with the commercial arbitration rules of the American Arbitration Association and the requirements of the laws of the State of California. If the parties are unable to agree on a single arbitrator, each will select one arbitrator who together will select a third.

Section 8. Ingress, Egress and Recreational Rights.
Declarant hereby creates for its successors and assigns, and for the benefit of all Owners of Condominiums in the Project and for Owners in future Phases which may be annexed hereto, a nonexclusive easement for access, ingress and egress, pedestrian walkway, street, driveway and general recreational purposes over and upon the Association Property.

Section 9. Party Walls and Fences.

(a) Those Owners who have a common wall or fence adjoining their Units and such a wall or fence divides the Units within which their Dwellings are constructed, shall equally have the right to the use of such wall or fence except that each shall have the exclusive right to the use of the interior surface of the wall or fence on their side. Neither Owner shall use any portion of the wall or fence so as to interfere with the use and enjoyment of the other Owner. In the event that any portion of such wall or fence, except the interior surface of one side, is damaged or injured from any

cause, other than the act or negligence of either party, it shall be repaired or rebuilt at their joint expense.

(b) Unless otherwise provided in this Declaration, those Owners who have a fence or wall, including retaining walls, dividing their Unit from the Association Property or Common Area, shall have the right to the use of such fence or wall except that the Owner and the Association each shall have the exclusive right to the use of the surface of the wall facing their respective property. Unless otherwise provided for in the Association operating budget, and if applicable, any wrought iron or other material installed instead of or on top of said fence or wall, shall be the sole responsibility of the Owner to maintain, replace and repair unless such need for maintenance, replacement or repair is a result of acts of the Association. To provide for such maintenance, Declarant hereby reserves for the benefit of such Owner an easement of ingress and egress over the Association Property or Common Area to provide reasonable access to perform such maintenance, replacement or repair subject to the right of the Association to reasonably restrict access to areas of the Association Property and Common Area. In the event that any portion of such fence or wall, except the interior surface of one side, is damaged or injured from any cause, other than the act or negligence of either party, it shall be repaired or rebuilt at the Owners expense.

(c) Unless otherwise provided in this Declaration, Owners of those Units having a wall designated as Association Maintenance Area separating the Units upon which the dwelling unit is constructed from the Association Property, shall have the right to the use of such Association Maintenance Area wall except that the Owner and the Association each shall have the exclusive right to the use and the obligation of maintenance of the surface of the said wall facing their respective property. With exception of gates and unless otherwise provided for in the Association operating budget in the event that any portion of such Association Maintenance Area wall, except those areas designated herein as the Owner's responsibility, is damaged or injured from any cause, other than the act or negligence of either party, it shall be repaired or rebuilt at the expense of the Association. To provide for such maintenance, Declarant hereby grants for the benefit of the Association an easement of ingress and egress to provide reasonable access to perform such maintenance, replacement or repair.

(d) The Association shall have the right to adopt Association Rules regarding all aspects of the party walls and fences within the Project. In the event of any dispute arising concerning a party wall between Owners, said dispute shall be submitted to the Board for a resolution thereof. In the event the Board cannot or will not resolve such dispute, or said dispute involves Association Property or Common Area, said dispute shall, at the request of either party, be submitted to arbitration before an arbitrator selected from the panels of the arbitrators of the American Arbitration Association in accordance with the commercial arbitration rules of the American Arbitration Association and the

requirements of the laws of the State of California. If the parties are unable to agree on a single arbitrator, each will select one arbitrator who together will select a third.

Section 10. Internal and External Telephone Easements. Notwithstanding the provisions of this Declaration, each Owner of a Unit shall be entitled to reasonable access to the Common Area and Association Property for the purpose of maintaining the internal and external telephone wiring which services their Unit. The access shall be subject to the consent of the Association, whose approval shall not be unreasonably withheld, and which may include the Association's approval of telephone wiring upon the exterior of the Common Area or Association Property, and other conditions as the Association determines reasonable.

Section 11. Construction and Sales Easements. There is hereby reserved to Declarant, together with the right to grant and transfer the same to Declarant's sales agents and representatives and prospective purchasers of Units, over the Project as the same may from time to time exist, easements for construction, display, maintenance, sales and exhibit purposes in connection with the erection and sale or lease of Units within the Project; provided, however, that such use shall not be for a period beyond the earlier of (i) three (3) years from the final right of annexation as set forth in the section of this Declaration entitled "Annexation Without Consent" of the Article entitled "ANNEXATION", or (ii) the sale by Declarant of all Units within the Project, and provided further that no such use by Declarant and others shall otherwise restrict the Members in the reasonable use and enjoyment of the Project. Declarant may deny access to any Phase of the Development for which a sale has not occurred to an individual Owner, by fencing or any other reasonable method. Declarant shall be responsible for all costs and expenses of any kind and all damages to the Association Property and Common Area resulting from any of Declarant's construction activities.

Section 12. Easements to Association. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association, rights to grant easements for the following purposes: the right to (a) grant utility easements under, through or across Common Area or Association Property, other than Exclusive Use Association Property Driveways, which are reasonably necessary to the ongoing development and operation of the Property; (b) grant and transfer easements over the Property for the purpose of permitting the Association to perform emergency repairs or to do other work reasonably necessary for the proper maintenance of the Property, and (c) discharge any other obligations and powers as described in this Declaration. Declarant's rights under this paragraph shall not be for a period beyond the earlier of (a) three years from the final right of annexation as set forth in the section of this Declaration entitled "Annexation Without Consent" of the Article entitled "ANNEXATION", or (b) the sale by Declarant of all Units within the Property; however, this limitation shall not

restrict the right of the Association to grant permits, licenses and easements as set forth herein.

Section 13. Establishment of Easements. Each of the easements provided for in this Declaration shall be deemed to be established upon the recordation of this Declaration, and shall thenceforth be deemed to be covenants running with the land for the use and benefit of all of the Units, Common Area and the Association Property, as the case may be, superior to all other encumbrances applied against or in favor of any portion of the Property which is the subject of this Declaration, with the exception of easements created in favor of a public agency after the recordation of this Declaration. In furtherance of the easements provided for in this Declaration, the individual deeds to Units may, but shall not be required to, set forth said easements.

Section 14. Drainage Facilities Easements.

(a) There are hereby created by Declarant for the benefit of the Association nonexclusive easements for drainage in order to accommodate transmission of drainage waters from other Units and the Association Property through the Drainage Facilities and for purposes of installation, construction, repair, maintenance and replacement of the Drainage Facilities (the "Drainage Facilities Easement").

(b) The Association shall have the obligation to inspect, maintain, repair and replace the Drainage Facilities. In order to carry out these obligations, the Association and its agents shall have the right to enter each Owner's rear Yard and exterior portions of Dwelling, together with such other portions of each Unit reasonably necessary to gain access to and from any rear Yard areas, as reasonably necessary from time to time, for the purpose of inspecting, maintaining, repairing and replacing the Drainage Facilities. Except as provided in Subsection (c) below in the event of noncompliance by an Owner with their obligations under this Section, the Association shall be responsible for the costs of inspecting, maintaining, repairing and replacing the Drainage Facilities.

(c) Each Owner shall maintain all other drainage facilities (which include, but shall not be limited to, yard drains and associated piping but excluding the Drainage Facilities to be maintained by the Association) located within such Owner's Unit free and clear of debris which would interfere with the Drainage Facilities and/or the established drainage pattern within the Project. Each Owner shall be required to provide such maintenance in such manner as to protect the integrity of their Unit, all adjoining Units and the Improvements thereon, the Drainage Facilities and all Association Property. No Owner shall cause or allow any landscaping or other Improvements within their Unit (including, but not limited to, tree roots, concrete slabs or excavations of any type) to create blockage of or other interference of any type with the Drainage Facilities, nor shall any Owner interfere in any way with the

established drainage pattern over their Unit from adjoining Units or the Association Property, unless an adequate alternative provision is made for proper drainage which is first approved in writing by the Architectural Committee. For the purposes hereof, "established" drainage is defined as the drainage which exists at the time that such Unit is conveyed to a purchaser by or from Declarant, or that which is shown on any plans subsequently approved by the Architectural Committee. In the event of noncompliance with this Section by an Owner, the Board shall notify the Owner to repair, remove or replace in a timely manner the debris, Improvement or other matter which is in non-compliance. In the event the Owner does not promptly comply, the Association or its agents shall have the right at reasonable times to peacefully enter upon the Unit to effect such repair, removal or replacement and the cost thereof, if any, shall be charged to the Owner of the Unit and, if not paid in a timely manner, shall be deemed a Reimbursement Assessment. Advance notice to an Owner of any such entry by or on behalf of the Association shall not be required in the event of an emergency. In exercising its right of entry pursuant to this Section, the Association and its agents shall use reasonable care to minimize damage to the landscaping and other complying Improvements upon such Unit. The Owner of a Unit shall also have the right of drainage on, over, across and upon the Association Property for water draining from the Unit and the Dwelling within the Unit.

Section 15. Entry Facility Operation. Each Owner of a Condominium which is part of the Project acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant has a substantial interest in assuring unrestricted access in and to the Property to accommodate construction and marketing activities for Condominiums within the Project. Declarant hereby reserves for itself the right to control, use and operate the entry facilities located within the Project along with the right to change the hours of operation of access control facilities at Declarant's sole discretion which may require that the entry facilities allow entry to members of the general public to accommodate construction and marketing activities. The entry gates are not intended to provide security for persons, personal property or dwelling units. Declarant accepts no liability nor makes any representations on behalf of itself or the Association concerning the effect the gate operation may have on vehicular and pedestrian access into the Project or the privacy and safety the entry facilities may offer to the Members of the Association, their guests or invitees.

Section 16. Amendment to Eliminate Easements. This Declaration cannot be amended to modify or eliminate the easements reserved to Declarant without prior written approval of Declarant, and any attempt to do so shall have no effect. Any attempt to modify or eliminate this Section shall likewise require the prior written approval of Declarant.

ARTICLE XVIII

ANNEXATION

Section 1. Annexation With Consent. Additional Units, Association Property and Common Area may be annexed to the Property with the written consent of not less than 66-2/3% of the total voting power of the Association residing in Association members other than the Declarant unless the proposed annexation is in substantial conformance with a detailed plan submitted to the Department of Real Estate with the application for a Public Report for the Phase 1 of the Property as set forth below.

Section 2. Annexation Without Consent. If, at any time within the seventh anniversary date of the issuance of the original Public Report for the immediately preceding Phase of the Property, the Declarant should develop all or any portion of the additional lands within the Annexable Area, such additional lands may be annexed to the Property without the assent of the Class A members and be made subject to the Declaration and thereby become subject to the jurisdiction of the Association; provided, however, that the development of the additional lands described in this Section shall be in accordance with the general plan set forth in this Article. Detailed plans for the development of additional lands must be submitted to the California Department of Real Estate and the Department of Veterans Affairs prior to such development of additional lands. If the California Department of Real Estate or the Department of Veterans Affairs determines that such detailed plans are not in accordance with the general plan on file and such agency so advises the Association and the Declarant, the annexation of the additional lands must be in accordance with Section 1 immediately above. A Supplementary Declaration covering all or any portion of the Annexable Area shall be executed and recorded by the Owner of such property to be annexed. The maximum number of Units that may be annexed to the Association pursuant to this Article shall be seventy-nine (79). All Units, Common Area and Association Property to be annexed pursuant to this Article must be substantially complete prior to annexation and shall be consistent with all existing improvements in terms of quality of construction.

Section 3. Supplementary Declaration. The additions authorized under the foregoing section shall be made by filing of record a Supplementary Declaration, or similar instrument, with respect to the additional property which shall extend the plan of this Declaration to such property. Such Supplementary Declarations contemplated above may contain such complementary additions or modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration revoke, modify or add to the covenants established by this Declaration within the existing Property, except as hereinafter otherwise provided. Upon the effective date of

annexation as provided in Section 4 of this Article, that portion of the Annexable Area subject to such Supplementary Declaration shall become subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter all of the Owners of Units in such Annexable Area shall be Members of the Association, in accordance with the terms and provisions of this Declaration and such Supplementary Declaration. Upon the effective date of the annexation as provided in Section 4 of this Article, all Owners of Units within a Phase of the Property for which assessments have commenced shall have an equal and reciprocal right to the use of all of the Common Area within the Phases of the Property for which assessments have commenced. Nothing herein shall obligate Declarant to annex to the Project all or any portion of the Annexable Area hereto and any decision to effect such annexation shall be in the sole discretion of Declarant.

Section 4. Effective Date of Annexation.

Notwithstanding anything to the contrary as may be contained herein, any annexation pursuant to the provisions of this Article shall only be effective upon the recordation of a Supplementary Declaration for a particular Phase in accordance with the provisions of this Declaration; provided, however, the powers, duties, obligations and other covenants, conditions and restrictions as set forth herein or in such Supplementary Declaration shall not commence as to such annexed Phase until the commencement of assessments for such Phase pursuant to the provisions of this Declaration.

Section 5. Commitment by Declarant to Pay Assessments.

Declarant for itself and its successors and assigns covenants and agrees to pay to the Association, concurrently with the closing of the escrow for the first sale of a Unit in an annexed Phase, appropriate amounts for reserves for replacement or deferred maintenance of Association Property or Common Area improvements in the annexed Phase necessitated by or arising out of the use and occupancy of the Units in such annexed Phase under a rental program conducted by the Declarant which has been in effect for a period of at least one year as of the date of closing of escrow for the first sale of a Unit in the annexed Phase.

Section 6. Deannexation by Declarant.

Declarant may delete all or a portion of any real property annexed to the Property from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such annexed real property, and provided that (a) a Notice of Deletion of Territory or Termination of Supplementary Declaration is recorded in the Office of the Orange County Recorder in the same manner as the applicable Supplementary Declaration was recorded; (b) Declarant has not exercised any Association vote with respect to any portion of such annexed real property; (c) assessments have not yet commenced with respect to any portion of such annexed real property; (d) no escrow has closed for the sale of any Unit in any portion of such annexed real property to the public; (e) the Association has not made any expenditures or incurred any obligations with respect to any portion of such annexed real property; and (f) a draft of the Notice

of Deletion of Territory or Termination of Supplementary Declaration is submitted to and approved by the Department of Veterans Affairs prior to recordation.

ARTICLE XIX

COMPLIANCE WITH CIVIL CODE SECTIONS 1354, 1365 AND 1365.5

Section 1. Budgets and Financial Statements. The Board of Directors of the Association shall have the below described financial information of the Association regularly prepared and distributed to all Members of the Association as provided herein regardless of the number of Members or the amount of assets of the Association, and to Declarant for a period terminating ten (10) years after the closing of the final sale escrow for a Condominium in the Project:

(a) A pro forma operating budget for the immediately ensuing fiscal year of the Association which shall include at least the following information shall be distributed no more than sixty (60) days and not less than forty-five (45) days prior to the beginning of the fiscal year of the Association:

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

(ii) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Civil Code Section 1365.5, which shall be printed in bold type, and shall include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component;

(B) As of the end of the fiscal year for which the study is prepared, (1) the current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components; and (2) the current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components;

(C) The percentage that the amount determined for purposes of subparagraph (B)(2) is of the amount determined for purposes of subparagraph (B)(1).

The summary as required by this subsection shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.

(iii) A statement as to whether the Board of Directors of the Association has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor;

(iv) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Association Property and Common Area and other facilities for which the Association is responsible.

(b) A balance sheet, as of a designated accounting date which shall be the last day of the month closest in time to six (6) months from the date of closing of escrow representing the first sale of a Unit in the Property, and an operating statement for the period from the date of the first closing to the designated accounting date, shall be distributed to each Member within sixty (60) days after the designated accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the Unit within the Property and the name of the person or entity assessed therefor.

(c) An annual report which shall consist of at least the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year of the Association:

(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; and

(iv) For any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00), a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. Such financial report shall include any information required to be reported under Section 8322 of the California Corporations Code.

(v) A summary as required by Civil Code Section 1354.

Section 2. Certification of Report. If the report referred to in subsection (c) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

Section 3. Alternative Financial Statements. In lieu of the distribution of the pro forma operating budget required by this Article, the Board of Directors may elect to distribute a summary of the items described in Section 1(c)(i) through (iv) above to all Members of the Association with a written notice that the pro forma operating budget is available at the business office of the

Association or at another suitable location within the boundaries of the Project and that copies will be provided upon request and at the expense of the Association. If any Member requests that a copy of the pro forma operating budget, including items described in Section 1(c)(i), through (iv), be mailed to the Member, the Association shall provide such copies to the Member by first-class United States mail at the expense of the Association and mailed within five (5) days. The written notice that is distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the summary of the budget.

Section 4. Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any meeting of the Board, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary of the minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution. Members of the Association shall be notified in writing at the time that the pro forma budget, required in Section 1365 of the California Civil Code, is distributed, or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

Section 5. Policies on Remedies. In addition to financial statements, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year of the Association a statement of the Association's policies and practices in enforcing its lien rights and other legal remedies against Members for defaults in the payment of Regular and Special Assessments including the recording and foreclosing of liens against Members' Units.

Section 6. Summary of Insurance Coverage.

(a) The Board of Directors shall prepare and distribute to all Members a summary of the Association's general liability, earthquake and flood insurance policies, which shall be distributed within sixty (60) days preceding the beginning of the Association's fiscal year, and which shall include all of the following information about each policy:

- (i) The name of the insurer;
- (ii) The type of insurance;
- (iii) The policy limits of the insurance;
- (iv) The amount of deductibles, if any.

(b) The Association shall, as soon as reasonably practical, notify its Members by first-class mail if any of the policies described in subparagraph (a) above have lapsed, been

canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits, or an increase in the deductible for any of those policies. If the Association receives any notice of nonrenewal of a policy described in subparagraph (a) above, the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(c) To the extent that any of the information required to be disclosed pursuant to subparagraph (a) above is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members.

(d) The summary distributed pursuant to subparagraph (a) shall contain, in at least 10-point boldface type, the following statement: "This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

Section 7. Fiscal Duties of Board.

(a) The Board of Directors of the Association shall do all of the following:

(i) Cause a current reconciliation of the Association's operating accounts to be made and review the same on at least a quarterly basis;

(ii) Cause a current reconciliation of the Association's reserve accounts to be made and review the same on at least a quarterly basis;

(iii) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the most current account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and

(v) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.

Section 8. Withdrawal of Funds from the Association's Reserve Accounts.

(a) Withdrawal of funds from the Association's reserve accounts shall require the signatures of either:

(i) Two members of the Board; or

(ii) One member of the Board and one officer of the Association who is not also a member of the Board.

(b) The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses, provided the Board has made a written finding, duly recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Project, temporarily delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph. This Special Assessment is subject to the limitation imposed by Section 1366 of the Civil Code, as set forth in the Section entitled "Special Assessments for Capital Improvements and Limitation on Increases In Special Assessments" of the Article entitled "Covenant for Maintenance Assessments" of this Declaration. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

(c) When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of the Association of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of those expenses. Unless the governing documents impose more stringent standards, the Association shall make an accounting of expenses related to the litigation on at

least a quarterly basis. The accounting shall be made available for inspection by members of the Association at the Association's office.

(d) At least once every three (3) years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements of the Project if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the Association which excludes the Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. This reserve study shall at a minimum include:

(i) Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years;

(ii) Identification of the probable remaining useful life of the components identified in subparagraph (i) above as of the date of the study;

(iii) An estimate of the cost of repair, replacement, restoration or maintenance of the components identified in subparagraph (i) above during and at the end of their useful life;

(iv) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain the components identified in subparagraph (i) above during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(e) As used in this Section, "reserve accounts" means moneys that the Board has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

(f) As used in this Section, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain.

ARTICLE XX

DISPUTE RESOLUTION (JUDICIAL REFERENCE)

Any claims or disputes between the Declarant (or any director, officer, partner, employee, or agent of the Declarant), on the one hand, and the Association (including any officer, director, employee or agent of the Association) or any Owner, on the other hand, arising out of or relating to the Project, the governing documents, or the use or condition of the Common Area or separate interests, including, without limitation, any and all disputes regarding defects or alleged defects in the construction or design of any property within the Project (with exception of any dispute or action which by its terms specifically provides for an alternative remedy or dispute mechanism), shall be resolved by the submission of the dispute to general judicial reference pursuant to California Code of Civil Procedure Sections 638(1) and 641-645, or any successor statutes thereto. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. Declarant shall not be required to participate in the judicial reference proceeding until it is satisfied, in its reasonable discretion, that all necessary and appropriate parties will participate in the proceeding. This general reference provision is intended to be specifically enforceable in accordance with such Section 638(1). If the parties are unable to agree upon a referee to be appointed by stipulation, one shall be appointed by the court having jurisdiction over the judicial reference.

The general referee shall have the authority to try all issues, whether fact or law, and shall be authorized to provide all recognized remedies available at law or in equity; provided, however, that the referee shall not have the power to award punitive damages. The parties hereby stipulate that no party shall be entitled to an award of punitive damages in any claim or dispute subject to this Article, and the parties hereby waive any right to claim punitive damages in any such dispute.

The parties shall use the procedures adopted by JAMS/ENDISPUTE (or such other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

(a) The Declarant shall advance the fees required by the referee to initiate the judicial reference proceedings, and the cost and fees, including the ongoing costs and fees of the judicial reference proceedings, shall be paid as agreed by the parties. If the parties cannot agree to the payment of the ongoing costs and fees, then the ongoing costs and fees of the judicial reference proceeding shall be paid as determined by the referee. The overall costs and fees of the judicial reference shall ultimately be borne as determined by the referee.

(b) The judicial reference proceeding shall be administered by a neutral and impartial person.

(c) The referee shall be appointed pursuant to the stipulation of the parties. In the event that the parties cannot agree on the referee, a referee shall be appointed by the court with jurisdiction over the judicial reference proceedings.

(d) The venue of the judicial reference proceedings shall be in the county where the Project is located unless the parties agree otherwise.

(e) The judicial reference proceedings shall be commenced in a prompt and timely manner in accordance with the rules of the person or entity administering the judicial reference proceedings; or, if the rules do not specify such a date, then a date agreed to by the parties; or if the parties cannot agree, the referee shall determine a date for the commencement of the judicial reference proceedings.

(f) The judicial reference proceedings shall be conducted in accordance with rules and procedures which are reasonable and fair to the parties.

(g) The judicial reference proceedings shall be conducted so as to conclude promptly and in a timely manner.

(h) The referee shall be authorized to provide all recognized remedies available in law or equity, other than punitive damages, for any cause of action that is the basis of the judicial reference proceedings.

(i) The referee must be a retired judge or attorney with substantial experience in relevant real estate matters.

(j) The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as a trial court judge.

(k) A confidential stenographic record of the hearing shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals.

(l) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable, and shall accord with the procedural requirements of California Code of Civil Procedure Sections 638(1) and 641-645.

(m) The referee shall have the authority to rule on all post-hearing motions in the same manner as the trial judge deciding post-trial motions.

(n) Notwithstanding any of the foregoing, the parties shall each bear their own attorney's fees in connection with the judicial reference proceedings.

The decision of the referee upon all of the issues considered by the referee must stand as the decision of the court, and upon filing of the statement of decision with the clerk of the court, or with the judge if there is no clerk, judgment may be entered thereon in the same manner as if the action had been tried in the trial court. The parties hereby acknowledge and agree that some or all of the disputes to be resolved pursuant to these provisions may involve the right to a jury trial, and the parties hereby waive their rights to trial by jury.

The judicial reference shall be commenced by commencing an action or petition seeking such relief pursuant to California Civil Code Sections 638(1) and 641-645; provided, however, that the parties shall comply with any pre-suit claim, notice and alternative dispute resolution procedures which would otherwise be applicable, including, without limitation, California Civil Code Section 1375.

Nothing in this Section shall be deemed to create any liability of any party for attorney's fees, with the sole exception of those costs of collection and/or attorney's fees specified in the Davis-Stirling Common Interest Development Act (Civil Code Sections 1350-1373) as it existed on the date of the recordation of this Declaration. It is the intent of the parties that each party shall bear their own attorney's fees in connection with any claims, disputes or judicial reference proceedings under this Article.

ARTICLE XXI

GENERAL CONDITIONS

Section 1. Enforcement of Restrictions. The Association and each aggrieved Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration or any amendment thereto; and the Association's Articles of Incorporation and Bylaws; provided, however, that with respect to assessment liens, the Association shall have the exclusive right to the enforcement thereof. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. In any action to enforce the terms of this Declaration, the prevailing party shall be awarded reasonable attorneys' fees and costs. Prior to filing a civil action by either the Association or by an Owner solely for declaratory relief or injunctive relief, or for declaratory relief or injunctive relief in conjunction with a claim for monetary damages, other than Association assessments, related to the enforcement of the Association governing documents, the parties may be required to comply with Civil Code Section 1354, if applicable. Failure to comply with the prefiling requirements of Section 1354 of the Civil Code may result in the loss of the right to sue regarding enforcement of the Association governing documents. Upon motion by any party for attorney's fees and costs as the prevailing party, the court, in determining the amount of the award, may consider a party's refusal to participate in alternative dispute resolution prior to the filing of the action.

Section 2. Severability of Covenants. Invalidity of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Terms of Declaration. The covenants and restrictions of this Declaration shall run with and bind the Property and the Project, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns until December 31, 2046, after which time said covenants, conditions and restrictions shall automatically be extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners of the Condominiums, has been recorded agreeing to terminate said covenants, conditions and restrictions in whole or in part.

Section 4. Construction of Declaration. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a Condominium residential community and for the maintenance of the community recreational facilities, Association Property and Common Area. The article and section headings have been inserted for

convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 5. Amendments. Except to amend this Declaration for purposes of correcting technical errors or for clarification only, and subject to the rights of lenders as set forth in the Article hereof entitled "RIGHTS OF MORTGAGEES," this Declaration of Covenants, Conditions and Restrictions may be amended only by the affirmative assent or vote of both (a) sixty-seven percent (67%) of the voting power of the Association, including the voting power of the Declarant, and (b) sixty-seven percent (67%) of the voting power of Members other than Declarant; provided, however, that the percentage of voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause; provided further, if the two-class voting structure as provided by this Declaration is still in effect, this Declaration may not be amended without the vote or written assent of sixty-seven percent (67%) of the voting power of each class of Members. This amendment provision shall not be amended to allow amendments by the assent or vote of less than the prescribed percentage of voting power required for amendments hereof; provided, however, that in compliance with California Civil Code Section 1356(a), the Board of Directors of the Association or any Owner of a Unit may petition the Superior Court of Orange County for an order reducing the percentage of the affirmative votes necessary for such amendment. An amendment or modification shall be effective when executed by the President and Secretary of the Association who shall certify that the amendment or modification has been approved as hereinabove provided, and recorded in the Official Records of Orange County, California.

Section 6. Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, any other committees of the Association or any member of such Board or committee shall be liable to any Member of the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

Section 7. Violation of Declaration. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement or reservation contained in this Declaration is violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Architectural Committee and the Association. Such remedy shall be deemed cumulative and not exclusive.

Section 8. Association Management Document Conflicts.
In case of any conflict between the provisions of one Association

Management Document with the provisions of another Association Management Document, the order of superiority of such documents shall be as follows: (a) Declaration, (b) Articles of Incorporation, (c) Bylaws, (d) Architectural Standards, and (5) Association Rules, and the provisions of such document shall be superseded by the provisions of the document shown to be the superior of such document to the extent of such conflict.

Section 9. Conflicts with Community Association Documents. In case of any conflict between the Association Management Documents and the Community Association documents, the Community Association document shall control to the extent of such conflict.

Section 10. Common Plan Declaration. The covenants, conditions and restrictions set forth in this Declaration constitute a general scheme for the development, protection and maintenance of the property to enhance the value, desirability and attractiveness of the Condominiums for the benefit of all Owners of Condominiums therein. By acceptance of a deed or by acquiring any ownership interest in any Condominium subject to this Declaration, each person or entity, for himself or itself, their heirs, personal representatives, successors, transferees and assigns, agrees to be subject to all of the provisions, restrictions, covenants, conditions, Association Rules now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets for a general scheme for the improvement and development of the Property covered hereby, and hereby evidences their intent that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the various subsequent and future Owners.

Section 11. FHA and VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration and the Department of Veterans Affairs: Annexation of additional properties, or merger or consolidation of the Association and any Amendment of this Declaration, a draft of which shall be submitted to and approved by the Department of Veterans Affairs prior to recordation.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, executed this Declaration the day and year first above written.

AV PARTNERSHIP,
a California general partnership

By Michael J. Roff
Its Authorized Agent

By John W. Marshall
Its Authorized Agent

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

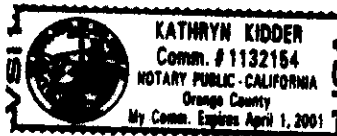
STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS:

On this 3RD day of OCTOBER,
1997, before me, the undersigned notary public,
personally appeared MICHAEL J. RAFFERTY
and JOHN W. MARSHALL,

☒ personally known to me -OR- ☐ ~~proved to me on~~
~~the basis of satisfactory evidence~~ to be the
persons whose names are subscribed to the within
instrument, and acknowledged to me that they
executed the same in their authorized capacities,
and that by their signatures on the instrument the
persons, or the entity upon behalf of which the
persons acted, executed the instrument.

WITNESS my hand and official seal.

Kathryn Kidder
SIGNATURE OF NOTARY



OPTIONAL SECTION
CAPACITY CLAIMED BY SIGNER
Though statute does not require the Notary
to fill in the data below, doing so may
prove invaluable to persons relying on the
document.

☐ INDIVIDUAL
☒ CORPORATE OFFICER(S)

TITLE(S)

☐ PARTNER(S)
☐ LIMITED
☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE(S)
☐ GUARDIAN/CONSERVATOR
☒ OTHER: AUTHORIZED
AGENTS

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

EXHIBIT "A"
PHASE 1 OF THE PROPERTY

All that certain land situated in the unincorporated area of the County of Orange, State of California, described as:

PARCEL 1:

Units 12 through 19, 24 through 35, Module AP-1 and Module CA-1, as shown on a Condominium Plan affecting Lot 1 of Tract No. 15454, as per map recorded in Book 752, Pages 25 to 28, inclusive, of Miscellaneous Maps, Records of Orange County, California;

PARCEL 2:

Lot A of Tract No. 15454, as per map recorded in Book 752, Pages 25 to 28, inclusive, of Miscellaneous Maps, Records of Orange County, California;

PARCEL 3:

Lot 2 of Tract No. 15451, as per map recorded in Book 752, Pages 17 and 18 of Miscellaneous Maps, Records of Orange County, California;

PARCEL 4:

Module AP-3 as shown upon the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15452, as per map recorded in Book 752, Pages 19 and 20 of Miscellaneous Maps, Records of Orange County, California;

PARCEL 5:

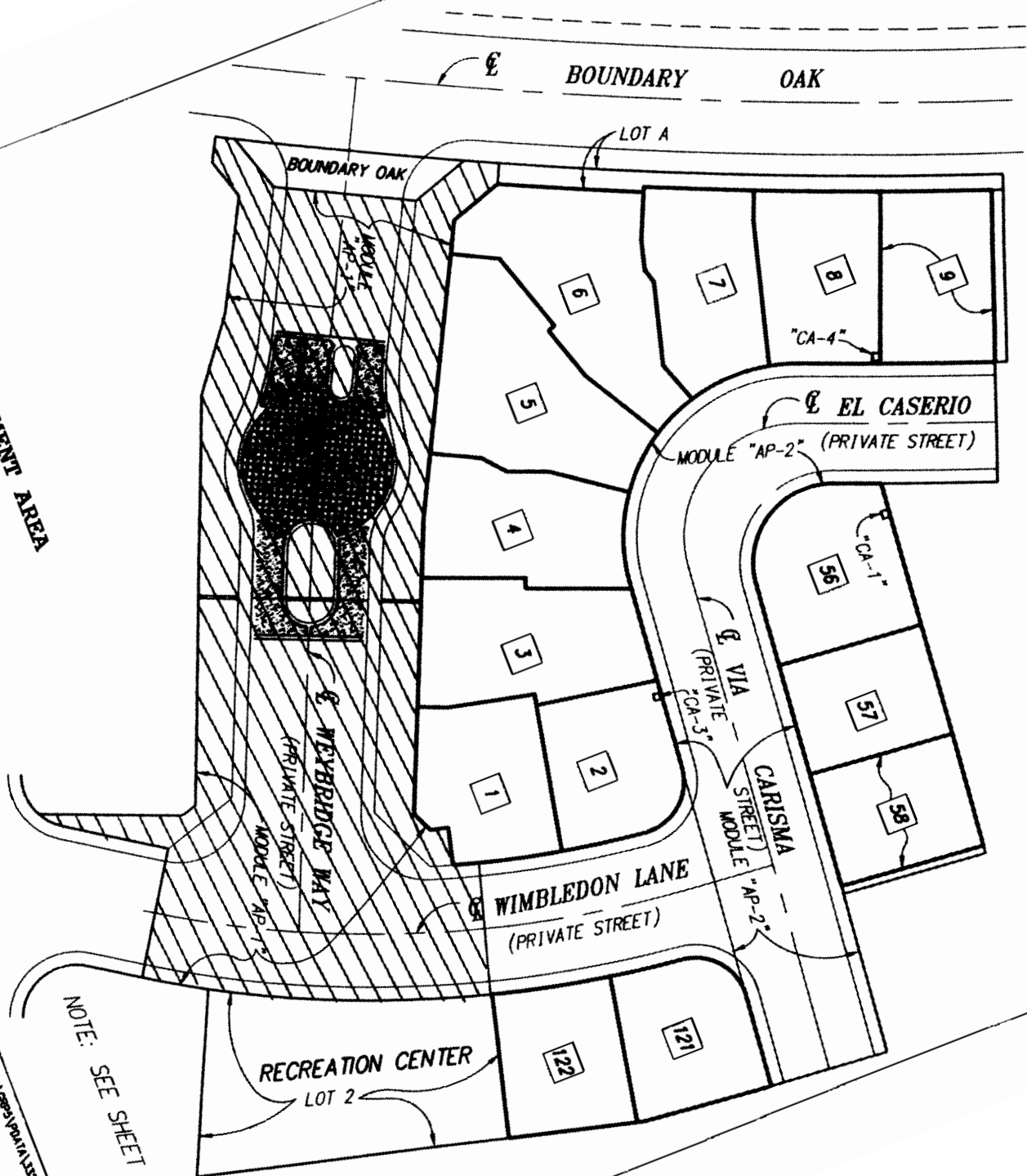
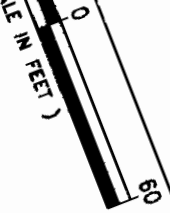
A nonexclusive easement for ingress, egress and street purposes over a portion of Module AP-1 as shown on the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15451, as per map recorded in Book 752, Pages 17 and 18 of Miscellaneous Maps, Records of Orange County, California, as depicted on Exhibit "A-1" attached hereto and incorporated herein by this reference; and

PARCEL 6:

A nonexclusive easement for ingress, egress and street purposes over Module AP-2 as shown on the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15452, as per map recorded in Book 752, Pages 19 and 20 of Miscellaneous Maps, Records of Orange County, California.

EXHIBIT "A-1"

Condominium Plan For
TRACT NO. 15451
 in the unincorporated territory of California
 County of Orange,
SITE PLAN



NOTE: SEE SHEET 1

EXHIBIT "B"
ANNEXABLE AREA

All that certain land situated in the unincorporated area of the County of Orange, State of California, described as:

PARCEL 1:

The remainder of Tract No. 15454, as shown on a map recorded in Book 752, Pages 25 to 28, inclusive, of Miscellaneous Maps, excepting that portion lying within Phase 1 of the Properties;

PARCEL 2:

The remainder of Tract No. 15451, as per map recorded in Book 752, Pages 17 and 18 of Miscellaneous Maps, Records of Orange County, California; excepting that portion within Phase 1 of the Properties;

PARCEL 3:

All of Tract No. 15452, as per map recorded in Book 752, Pages 19 and 20 of Miscellaneous Maps, Records of Orange County, California excepting that portion lying with Phase 1 of the Properties;

PARCEL 4:

All of Tract No. 15453, as per map recorded in Book 752, Pages 21 through 24 of Miscellaneous Maps, Records of Orange County, California;

PARCEL 5:

All of Tentative Tract No. 15457, as per map to be recorded in Miscellaneous Maps, Records of Orange County, California and all of Tentative Tract No. 13295, as per map to be recorded in Miscellaneous Maps, Records of Orange County, California, both being portions of Parcels 2 and 5 of Line Lot Adjustment LL 94-005 recorded as Instrument No. 94-0248792 of Official Records in the Office of the County Recorder of Orange County, California.

EXHIBIT "C"
ASSOCIATION PROPERTY

PARCEL 1:

Lot A of Tract No. 15454, as shown on a map recorded in Book 752, Pages 25 to 28, inclusive, of Miscellaneous Maps;

PARCEL 2:

Lot 2 of Tract No. 15451, as per map recorded in Book 752, Pages 17 and 18 of Miscellaneous Maps, Records of Orange County, California;

PARCEL 3:

Module AP-1 shown upon the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15454, as per map recorded in Book 752, Pages 25 through 28 of Miscellaneous Maps, Records of Orange County, California;

PARCEL 4:

Module AP-3 as shown upon the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15452, as per map recorded in Book 752, Pages 19 and 20 of Miscellaneous Maps, Records of Orange County, California;

PARCEL 5:

A nonexclusive easement for ingress, egress and street purposes over a portion of Module AP-1 as shown on the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15451, as per map recorded in Book 752, Pages 17 and 18 of Miscellaneous Maps, Records of Orange County, California, as depicted on Exhibit "A-1" attached hereto and incorporated herein by this reference; and

PARCEL 6:

A nonexclusive easement for ingress, egress and street purposes over Module AP-2 as shown on the Condominium Plan recorded in the Office of the Orange County Recorder affecting Lot 1 of Tract No. 15452, as per map recorded in Book 752, Pages 19 and 20 of Miscellaneous Maps, Records of Orange County, California.

CANTERBURY PHASE 1

EXHIBIT "D"

EXCLUSIVE USE ASSOCIATION PROPERTY DRIVEWAYS

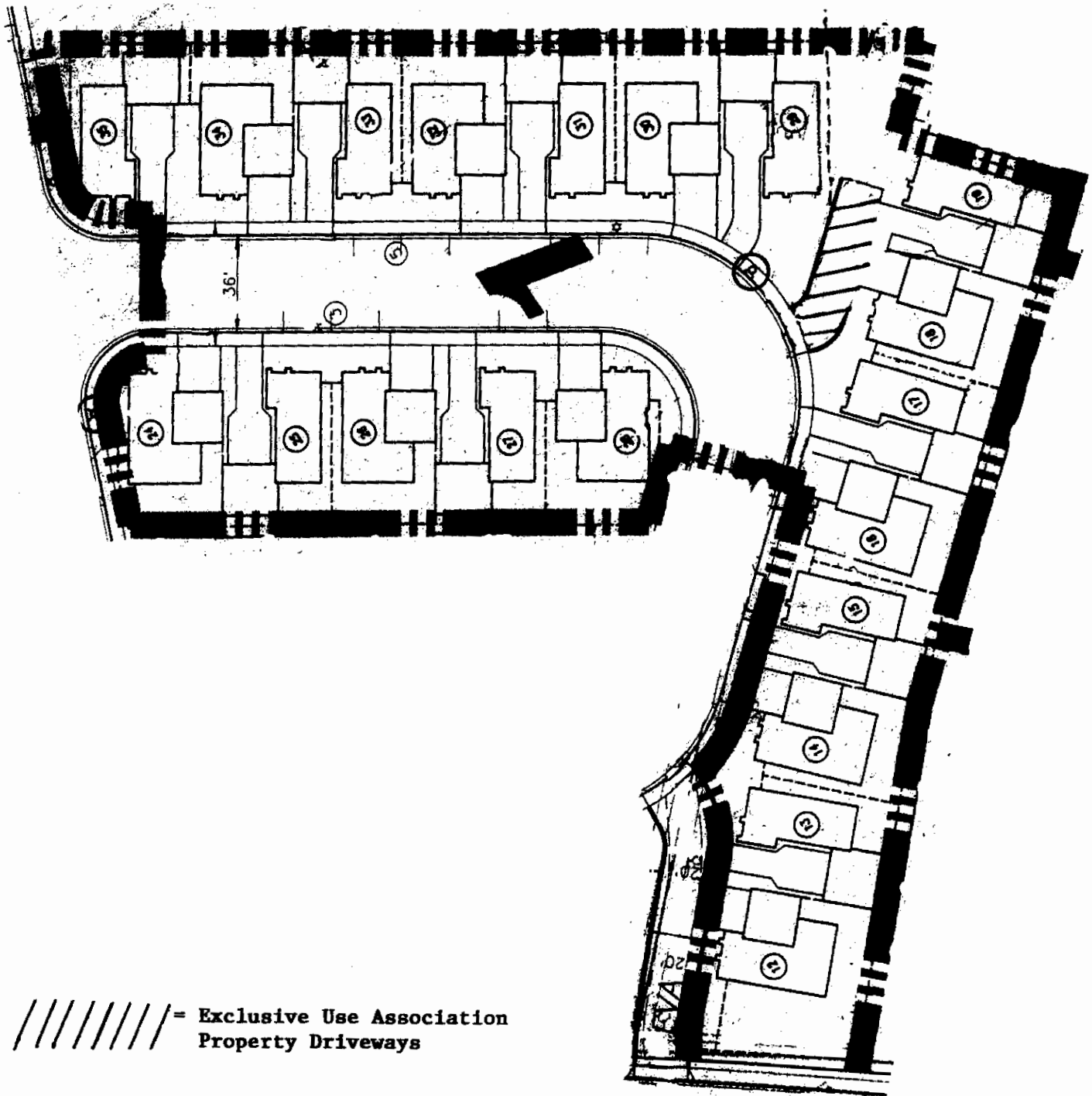


EXHIBIT "E"
FIRE LANES

Not Applicable to this Phase