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**DECLARATION OF ESTABLISHMENT
OF
CONDITIONS, COVENANTS AND RESTRICTIONS
FOR
HIDDEN MEADOWS RANCH
A Residential Planned Development**

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**DECLARATION OF ESTABLISHMENT OF
CONDITIONS, COVENANTS AND RESTRICTIONS
FOR
HIDDEN MEADOWS RANCH**

THIS DECLARATION OF ESTABLISHMENT OF CONDITIONS, COVENANTS AND RESTRICTIONS FOR HIDDEN MEADOWS RANCH ("Declaration") is made by GREYSTONE HIDDEN MEADOWS, LLC., a Delaware Limited Liability Company ("Declarant"), being the owner of that certain real property subject to this Declaration, and hereinafter more particularly described.

WITNESSETH:

WHEREAS, Declarant is the owner of the following real property located in the unincorporated area of the County of San Diego, State of California, more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference ("Properties"); and

WHEREAS, the development of the Properties is the first phase of a multi-phase residential planned development. There is no guarantee that all phases will be completed, or that the number of Homesites or the Common Area facilities and amenities will be developed as described above.

WHEREAS, it is the desire and intention of Declarant to sell and convey residential Homesites within the Properties to various individuals subject to certain basic protective restrictions, limitations, easements, covenants, reservations, liens and charges between it and the purchasers or users of said Properties, as hereinafter set forth.

NOW, THEREFORE, Declarant hereby declares that all of the real property described above, is, and shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of preserving the integrity, beauty and aesthetic qualities and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the Properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof. The provisions of this Declaration shall be enforceable by any of the Owners of an interest in the real property above described, against any other Owner or Owners thereof, and shall also be enforceable by the Board of Directors of the Association, which shall be created for the purpose of governing this Community.

ARTICLE 1
DEFINITIONS

Section 1.1. Terms. Whenever used in this Declaration, the following terms shall have the following meanings:

1.1.1 Access Easement Area shall mean and refer to those certain portions of private street or other future Common Area improvements, as more particularly described in that certain Easement Grant Deed described in Article 21 hereof. Future Phases may include additional Access Easement Areas.

1.1.2 Annexation shall mean the addition of real property and all improvements thereto into the scheme created by this Declaration. Upon such annexation, the annexed property shall be governed by, and subject to each and every provision of this Declaration and any amendments thereto. The procedures for annexation of property are set forth in Article 15.

1.1.3 Annexable Property shall mean and refer to the real property which may be annexed to the Community by Declarant without the consent of the Association, in accordance with the provisions of Section 15.1 hereof. The Annexable Property is that certain real property described in Exhibit "B" attached hereto and incorporated herein by this reference.

1.1.4 Articles shall mean and refer to the Articles of Incorporation of the Association as the same may be amended from time to time.

1.1.5 Association shall mean and refer to HIDDEN MEADOWS RANCH HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

1.1.6 Board or Board of Directors shall mean and refer to the governing body of said Association.

1.1.7 Budget shall mean and refer to the annual pro forma operating statement for the Association described in Section 6.2 hereof, and shall consist of a Base Budget and (if any Cost Center(s) are then part of the Community) a separate Cost Center Budget. The Base Budget shall be applicable to all Homesites within the Properties and shall contain the financial information required by Section 6.2, except financial information related to the Cost Center(s). The Cost Center Budget shall be applicable only to Homesites subject to assessment for the cost of operation, maintenance, repair and/or replacement of Cost Center improvements or maintenance areas and shall contain the same categories of financial information but only with respect to the Cost Center(s).

1.1.8 Bylaws shall mean the duly adopted Bylaws of the Association as the same may be amended from time to time.

1.1.9 Common Area shall mean all real property (including improvements thereon) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Homesite is described on Exhibit "A" attached hereto.

1.1.10 Community shall mean the Properties and all improvements thereon.

1.1.11 Cost Center shall mean and refer to one (1) or more improvements or maintenance areas located on a portion of the Common Area, which directly confer a special benefit on some but not all of the Owners or Homesites within the Community, and for which the costs of operation, maintenance, repair and/or replacement are to be wholly or primarily borne solely or disproportionately by such specified Owners through the use of a procedure for regular assessments on the benefited Homesites, based upon a Cost Center Budget. Cost Centers may be established for any future Phase or Phases, by Declarant, in the Notice of Annexation recorded for such Phase prior to the first sale of a Homesite in such Phase, or may be established by resolution of the Board. Such Notices of Annexation shall clearly identify the Cost Center improvements or maintenance area being established.

1.1.12 Declarant shall mean and refer to Greystone Hidden Meadows, LLC, a Delaware Limited Liability Company, its successors and assigns, if such successors or assigns should acquire more than one (1) undeveloped Homesite from Declarant for the purpose of development and are designated by Declarant as the Declarant for the purpose hereof by a duly recorded written instrument.

1.1.13 Declaration shall mean and refer to this enabling Declaration of Establishment of Conditions, Covenants and Restrictions, as the same may be amended, changed or modified, from time to time.

1.1.14 Golf Course Declaration shall mean and refer to that certain Declaration of Covenants, Conditions and Restrictions, recorded by The Welk Group, Inc., a California corporation, on March 27, 1997, as Instrument No. 1997-0140346 of Official Records, County of San Diego, California.

1.1.15 Golf Course shall mean and refer to the Meadows Lake Golf Course, a semi-private golf course located adjacent to and between portions of the Community, and described in Exhibit "B" to the Golf Course Declaration.

1.1.16 Golf Course Owner shall mean and refer to Cresta Verde, a California corporation, and its successors and assigns as owners of the Golf Course.

1.1.17 Homesite shall mean and refer to those parcels of real property created for residential purposes as shown on the recorded subdivision map(s) of the Properties, with the exception of the Common Area parcels.

1.1.18 Institutional Lender shall mean a Mortgagee which is a bank, savings and loan association, established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

1.1.19 Member shall mean an Owner with a membership in the Association.

1.1.20 Mortgage shall mean and refer to a deed of trust as well as a Mortgage.

1.1.21 Mortgagee shall mean a person or entity to whom a Mortgage is made, and shall include the beneficiary of a deed of trust.

1.1.22 Mortgagor shall mean a person or entity who mortgages his, her or its property to another, i.e., the maker of a Mortgage, and shall include the trustor of a deed of trust.

1.1.23 Off-Site Maintenance Areas shall mean and refer to those areas located outside of the geographical boundaries of the Community, for which the Association has the responsibility for the maintenance, repair and replacement of landscaping and related improvements, as provided in Section 17.2.2 below. The Off-Site Maintenance Areas for which the Association has responsibility or shall assume responsibility, in connection with Phase 1 of the Community, are described in Exhibit "OSMA" attached hereto and incorporated herein by this reference. The Association's maintenance responsibility for the respective portions of such Off-Site Maintenance Areas shall commence upon the later of: (a) issuance or assignment to the Association of an appropriate easement or encroachment permit covering such Off-Site Maintenance Areas, and (b) the commencement date of the applicable approved Budget for each Phase covered by a separate Final Subdivision Public Report issued by the California Department of Real Estate, which includes the costs of maintenance of such portions of the Off-Site Maintenance Areas. Additional Off-Site Maintenance Areas, for which the Association shall assume the maintenance responsibility, in connection with the Phases in the Annexable Property, may be described in the Notices of Annexation and applicable Budgets for such Phases.

1.1.24 Owner shall mean and refer to the record Owners, whether one (1) or more persons or entities, of fee simple title to any Homesite which is part of the Properties, including contract sellers, but excluding those having such interests merely as security for the performance of an obligation.

1.1.25 Phase shall mean one of the phases of development of this residential planned development for which a separate Final Subdivision Public Report is issued by the California Department of Real Estate. Declarant intends to construct certain residential dwellings and Common Area improvements according to a general plan of development submitted to the California Department of Real Estate.

1.1.26 Properties shall mean and refer to that certain real property located in San Diego County, California, hereinbefore described and such additions thereto as may hereafter be brought within the jurisdiction of the Association through the annexation procedures set forth in Article 15.

1.1.27 Slope Easement Areas shall mean and refer to those certain slope areas of private Homesites for which the Association shall have an easement of access and the responsibility for the maintenance, repair and replacement thereof, as provided in Section 2.7 below.

Section 1.2. Applicability of Terms. The aforesaid definitions shall be applicable to this Declaration and to any supplements or amendments thereto (unless the context shall prohibit) recorded pursuant to the provisions of this Declaration.

ARTICLE 2
PROPERTY RIGHTS IN COMMON AREA

Section 2.1. Title to the Common Area.

2.1.1 Declarant hereby covenants for itself, its successors and assigns, that it will convey to the Association title to the Common Areas, free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record, including those set forth in this Declaration. Said conveyance for each Phase shall be made to the Association prior to the conveyance of the first residential Homesite in such Phase to an Owner.

2.1.2 The Association's responsibility to maintain such Common Area conveyed to the Association shall commence concurrently with the recordation of the Grant Deed conveying the Common Area to be maintained. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain or warrant the landscaping or other improvements on the Common Area for a specified period in which said contractors or subcontractors shall perform such maintenance, the Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors shall not serve to postpone the commencement of assessments pursuant to this Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such assessments.

2.1.3 The nature, design, quality and quantity of all improvements in the Common Area shall be determined by Declarant in its sole discretion. The Association shall be obligated to accept title to the Common Area, and shall assume and undertake all maintenance responsibilities for such Common Area when title is conveyed and/or maintenance responsibilities are tendered to the Association by Declarant pursuant to subparagraphs 2.1.1 and 2.1.2 above. In the event that a dispute arises between Declarant and the Association with respect to the nature, design, quality or quantity of the improvements in the Common Area, or as to the acceptance of maintenance responsibilities therefor, the Association shall be obligated to accept title to the Common Area and to assume and undertake maintenance responsibilities pending resolution of the dispute, in accordance with the provisions set forth in the Article herein entitled "Dispute Mechanism."

Section 2.2. Owner's Easements of Enjoyment. Every Owner of a Homesite shall have a right and easement of ingress, egress and of enjoyment in and to the Common Area which shall be

appurtenant to and shall pass with the title to every such Homesite, subject to the following provisions:

(a) The right of the Association to suspend the voting rights of an Owner for any period during which any assessment against such Owner's Homesite remains unpaid; and for a period not to exceed thirty (30) days for any infraction of its Rules and Regulations (as defined below) after reasonable written notice and an opportunity for a hearing before the Board as set forth in the Bylaws, which notice satisfies the minimum requirements of Section 7341 of the California Corporations Code;

(b) The right of the Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. Notwithstanding any contrary provision in the Articles or Bylaws, so long as there is any Homesite for which the Association is obligated to provide management, maintenance, preservation, or control, no such dedication or transfer shall be effective unless approved by the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of both classes of Members of the Association, or following the conversion of Class B to Class A Members, by the vote or written assent of sixty-six and two-thirds (66-2/3%) of the Members of the Association, other than Declarant, and an instrument executed by both the President and Secretary of the Association affecting such dedication or transfer, has been recorded;

(c) The right of the Association, in accordance with its Articles of Incorporation and Bylaws, to borrow money for the purpose of improving the Common Area and in aid thereof, and with the assent of two-thirds (2/3) of each class of Members, to hypothecate any or all real or personal property owned by the Association. After conversion of the Class B membership to Class A membership, the action herein requiring membership approval shall require the vote or written consent of (i) two-thirds (2/3) of the voting power of Members of the Association and (ii) for so long only as the Declarant holds or directly controls twenty-five percent (25%) or more of the voting power of Members of the Association, two-thirds (2/3) or more of the voting power of the Members of the Association other than Declarant;

(d) Subject to a concomitant obligation to restore, Declarant and its agents shall have:

(i) A nonexclusive easement over the Common Area for the purpose of making repairs to the Common Area or to a Homesite provided access thereto is otherwise not reasonably available;

(ii) The right to the nonexclusive use of the Common Area for the purpose of maintaining model homes, sales offices and signs reasonably necessary to market the Homesites, for a period of not more than three (3) years after conveyance of the Common Area to the Association, or the sale of all residential Homesites within the Properties, whichever is first to occur. The use of the Common Area by Declarant and its agents shall not unreasonably interfere with the use thereof by the Class A Members of the Association.

(e) Notwithstanding any other provision of this Declaration to the contrary, Owners shall not be permitted to enter upon the Common Areas and install their own plants, landscaping or other improvements, or in any manner alter or interfere with the landscaping installed thereon by Declarant or the Association. No Owner shall be permitted to install any gate in the fences separating a Homesite from the Common Area, or otherwise alter any such fence in a manner to permit a means of access to the Common Area or the Golf Course not intended by Declarant installing such fence. Landscaped open space and sloped areas within the Common Areas and the Golf Course are not for recreational use by Owners. Only the trails and any specific recreational facilities installed by Declarant are for recreational use.

Section 2.3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws of the Association, such Owner's rights of enjoyment to the Common Area and facilities to the members of such Owner's family, such Owner's tenants or contract purchasers who reside on such Owner's Homesite.

Section 2.4. Reciprocal Easements. Upon the Annexation of Annexable Property into the Community, as provided in Article 15, the Owners of Homesites in the annexed areas shall have nonexclusive easements for ingress, egress, and recreational use over the Common Areas within the Community. Similarly, the Owners of Homesites within the original scheme of this Declaration, including previously annexed areas, shall have nonexclusive easements for ingress, egress, and recreational use over the Common Areas of the newly annexed areas.

Section 2.5. Utility Easements. Declarant hereby grants, reserves, and establishes nonexclusive easements over, under, and through each and every Homesite and the Common Area within the Community ("Special Easement Area") as necessary for the installation, operation and maintenance of underground utility conduits and lines for the sole purpose of providing utilities to such Homesites.

2.5.1 Each Homesite which obtains electrical power or other utilities through an underground utility conduit located within a Special Easement Area of another Homesite or Homesites, is hereby granted and shall have the benefit of a nonexclusive easement through and under such Homesite or Homesites for the installation, operation and maintenance of such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.5.2 Each Homesite containing a Special Easement Area within which there lies an underground utility conduit and utility lines is hereby declared to be, and shall be conveyed subject to, a nonexclusive easement by reservation for the benefit of the Homesite or Homesites serviced by such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.5.3 Said easements granted and reserved shall include incidental rights of installation, operation and maintenance subject to the following limitations:

(a) Repair and replacement of the utility lines within any such conduit shall be performed only at either end of the conduit;

(b) Excavation of any such conduit for any purpose is expressly prohibited except at either end thereof.

2.5.4 The easements hereinabove described shall bind and inure to the benefit of Declarant's heirs, personal representatives, successors and assigns.

2.5.5 Subject easements shall be construed as covenants running with the land, or equitable servitudes as necessary to achieve Declarant's intent. Declarant hereby acknowledges that it is its express intent to subject each Homesite within the Community which contains an underground utility conduit, as described hereinabove, to such restrictions, covenants, easements, and servitudes as are necessary to provide for the continued operation and existence of such utility conduit and utility lines.

Section 2.6. Access Easement Area. Declarant and the Association have entered into that certain Easement Grant Deed described in Article 21 hereof which Deed establishes nonexclusive easements on, over and across the Access Easement Area in favor of the Association and the Owners until conveyance, in fee, of the Access Easement Area to the Association as described in more detail in the Easement Grant Deed and Article 21 hereof.

Section 2.7. Slope Easement Areas. Declarant hereby reserves for the benefit of the Association, and hereby grants to the Association, non-exclusive easements of access, ingress and egress for the purpose of maintaining, repairing and replacing the slope landscaping, irrigation and other related improvements, located within certain private Homesites in the Community. The areas and improvements subject to this easement located in Phase 1 of the Community are shown and depicted in Exhibit "SEA" attached hereto and incorporated herein by this reference ("Slope Easement Areas"). The Association shall have the exclusive right and duty to maintain those portions of private Homesites within the Slope Easement Areas, and to maintain, repair and replace all improvements located therein, including the irrigation systems, landscaping, drainage improvements, and slope stabilization improvements. Such maintenance shall include slope maintenance, brush clearance and weed abatement, and the preservation of the Slope Easement Areas in a good, safe condition, at all times in compliance with the standards of maintenance applicable to Common Areas. Slope Easement Areas in subsequent Phases of the Community shall be described in an Exhibit to the applicable Notice of Annexation for such Phase(s) which exhibits shall amend and supplement said Exhibit "SEA".

Section 2.8. Right of Declarant to Modify Plan of Development. Declarant hereby reserves the right to modify, amend, change, or eliminate altogether, the multi-phase plan of development hereinbefore described. Such right shall include, without limitation, the right to delete any and all subsequent Phases of development, and to divide the subsequent Phases into additional Phases. There is no guarantee by, or obligation of, Declarant to complete all Phases of development or to annex same into the Properties. Any change or modification of the general plan of development shall, however, require the prior approval of the Department of Real Estate.

ARTICLE 3
MEMBERSHIP AND VOTING RIGHTS IN HOMEOWNERS' ASSOCIATION

Section 3.1. Formation. Declarant has, at its sole expense, formed an incorporated homeowners' association known as the Hidden Meadows Ranch Homeowners' Association, a California nonprofit mutual benefit corporation ("Association"). The Association shall be primarily responsible for the management and maintenance of the Common Area and for the maintenance of the landscaping and other items as set forth in this Declaration.

Section 3.2. Membership. Every Owner of a Homesite which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Homesite which is subject to assessment.

Section 3.3. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners, with the exception of Declarant, and shall be entitled to one (1) vote for each Homesite owned. When more than one (1) person holds an interest in any Homesite, all such persons shall be Members. The vote for such Homesite shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Homesite.

Class B. Class B Member shall be Declarant and shall be entitled to three (3) votes for each Homesite owned. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur:

(a) Two (2) years from the date of the first conveyance of a subdivision interest in the most recent Phase of the overall development; or

(b) Five (5) years from the date of the first conveyance of a subdivision interest in the first Phase of the overall development.

Any provision in the Articles, Bylaws, or this Declaration calling for membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of the Declarant under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Any requirement elsewhere in the Articles of Incorporation, Bylaws, and Declaration, except provisions with respect to the action to enforce the obligations of Declarant under any completion bond, that the vote of Declarant shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B Members to Class A Members, and the same shall be read as requiring the vote of the prescribed percentage of the Class A Members and the vote of the prescribed percentage of the Class A Members other than Declarant. The voting rights attributed to any given Homesite in the Community as provided for herein, shall not vest until the assessments provided for hereinbelow have been levied by the Association as against said Homesite. This Section shall not be amended to affect the Class B voting rights without the Declarant's prior written consent.

ARTICLE 4
POWERS OF THE ASSOCIATION AND MEMBERSHIP MEETINGS

Section 4.1. Powers of the Association. The management and complete control of the Association's affairs and the Community itself will be the direct responsibility of the Board of Directors, which is to consist of Members of the Association who will be elected by the total membership of the Association. The Association, in its sole and absolute discretion, and as more fully set forth in its Bylaws, shall have the power to perform the following acts:

4.1.1 The Association shall have the sole and exclusive right and duty to manage, operate, control, repair, replace, or restore the Common Area, including, without limitation, all the improvements, trees, shrubbery, plants and grass, slopes, natural open space areas, fuel modification areas, fences, drainage improvements, swales, debris basins and detention basins, if any, private streets, drives and walks, parkway areas, automatic entry gates, and the pocket park with "tot lot" improvements, within the Common Area. In addition, the Association shall have the sole right and duty to maintain the Slope Easement Areas of the private Homesites and the Off-Site Maintenance Areas.

4.1.2 The Association shall have the right and power to levy and collect assessments.

4.1.3 The Association shall pay the taxes and assessments, if any, which may be levied by any governmental authority on the Common Area of the Community or any part thereof.

4.1.4 The Association shall maintain a bank account or accounts for funds coming under the control of the Association.

4.1.5 The Association shall have the right and power to adopt and enforce architectural guidelines ("Architectural Guidelines") for the Community.

4.1.6 The Association shall adopt rules and regulations ("Rules and Regulations") not inconsistent with the provisions of this Declaration, including, but not limited to, Rules and Regulations relating to the use of the Common Area and of the Community.

4.1.7 The Association shall have the right and power to enforce the provisions of this Declaration, and the Bylaws, Articles of Incorporation and Rules and Regulations of the Association; provided, however, nothing contained in this Section shall be construed to prohibit enforcement of same by any Owner.

4.1.8 The Association has the right and power to contract for and maintain fire, casualty, liability, worker's compensation, medical, hospital, and other insurance insuring Owners, members of the Board, and other persons.

4.1.9 The Association has the right and power to contract, provide and pay for (i) maintenance, utility, gardening and other services benefiting the Community; (ii) payment of

persons necessary to perform such services and accomplish the other obligations of the Association; and (iii) legal and accounting services.

4.1.10 Notwithstanding any of the foregoing, the Association, acting through its Board, may not enter into any contract binding for a term longer than one (1) year from the effective date thereof without the vote or written consent of a majority of the voting power of the Members of the Association other than the Declarant, except as specifically authorized herein or in the Articles or Bylaws.

4.1.11 The Association shall have the right and power to enter into an agreement with The Meadows Homes Association, a California nonprofit mutual benefit corporation, the homeowners association governing the adjacent subdivision, for the use by the Owners and occupants of the Community of the recreational facility located in such adjacent subdivision, and for all Owners to have mandatory membership as "special members" of such recreational facilities, upon such terms and conditions as the Board may determine to be just and reasonable, and the Board shall have the power to levy annual assessments against all Homesites to pay the annual "special member fees" payable on behalf of each Owner for the right to be a member of such recreational facility. Such agreement may have an initial term of twenty (20) years and be renewable indefinitely for additional terms of five (5) years each.

4.1.12 The Association has the right and power to contract for the purchase of tools, equipment, materials, supplies and other personal property and services for the maintenance and repair of the facilities and improvements of the Community.

4.1.13 The Association has the right and power to contract for and pay for reconstruction of any portion or portions of the Community damaged or destroyed.

4.1.14 The Association has the right and power to delegate its powers to others where such delegation is proper.

4.1.15 The Association has the right and power to prosecute or defend, and to perform any act reasonably necessary to resolve by alternative dispute resolution proceedings, under the name of the Association, any action affecting or relating to the Community or the personal property thereon, or any action in which all of the Owners have an interest in the subject matter of the action.

4.1.16 Subject to the vote or written consent therefor from sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership, excluding the vote of the Declarant, the Association may borrow money, and may mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

4.1.17 The Association may do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do, and generally may do and perform any and all other acts which may be either necessary for, or incidental to, the exercise of any of the foregoing powers, and any other such powers as are granted to a corporation by the provisions of the laws of the State of California.

4.1.18 The Association may acquire by gift, purchase or otherwise own, hold, enjoy, lease, operate, maintain, convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real and/or personal property in connection with the business of the Association; provided, however, that the Association shall not acquire or sell any real or personal property having an individual or aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year by purchase or lease without first obtaining the vote or written consent therefor from a majority of the voting power of the membership, excluding the vote of the Declarant, except as is provided pursuant to the annexation of subsequent phases to this Community.

4.1.19 The Association shall have the right and power to suspend a Member's voting rights for any period during which any assessment against such Owner's Homesite remains unpaid and delinquent; and for a period not to exceed thirty (30) days for any single infraction of the Rules and Regulations of the Association, provided that any suspension of such voting rights, except for failure to pay assessments, shall be made only by the Association or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws of the Association.

4.1.19.1 The Association may not cause a forfeiture of an Owner's right to use and enjoy such Owner's Homesite for failure of such Owner to comply with the provisions of this Declaration, or the Bylaws of the Association or the Rules and Regulations of the Association, except (1) by judgment of a court or decision arising out of arbitration, or (2) on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association, as set forth in Article 5 hereof.

4.1.20 The Association may take any and all lawful action which may be advisable, proper, authorized or permitted by the Association under and by virtue of any condition, covenant, restriction, reservation, charge or assessment affecting the Community, or any portion thereof, and to do and perform any and all acts which may be either necessary for or incidental to the exercise of any of the foregoing powers, or for the peace, health, comfort, safety or general welfare of its Members.

4.1.21 The Association may impose monetary penalties upon Owners as a disciplinary measure (1) for failure of an Owner to comply with the Bylaws, the Declaration or the Rules and Regulations of the Association, or (2) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to the Common Areas and facilities thereon for which the Owner is allegedly responsible, or (3) to bring an Owner or its Homesite into compliance with the Declaration, Bylaws, or Rules and Regulations of the Association.

Section 4.2. Fidelity Bond. The Association shall maintain a fidelity bond or insurance in an amount at least equal to the sum of three months' assessments on all Homesites in the Community, which names the Association as obligee and insures against loss by reason of acts of members of the Board of Directors, officers and employees of the Association and any management agent and its employees, whether or not such persons are compensated for their services.

Section 4.3. Membership Meetings.

4.3.1 Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Members shall specify those matters the Board intends to present for action by the Members but, except as otherwise provided by Law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, Member discipline or personnel matters. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of a Member, the Board of Directors shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

4.3.2 The minutes, the minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors of the Association, other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution.

4.3.3 Members of the Association shall be notified in writing at the time that the Budget required in Section 6.2 below 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 of Directors and how and where those minutes may be obtained, and the cost of obtaining such copies.

ARTICLE 5 ASSESSMENTS

Section 5.1. Creation of Lien and Personal Obligation of Assessments. Declarant, for each Homesite owned within the Properties, hereby covenants, and each Owner of a Homesite by acceptance of a grant deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (a) annual assessments or charges, which shall include an adequate reserve fund for the periodic maintenance, repair and replacement of the Common Area and (b) special assessments as provided in Section 5.4 below, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Homesite against which each such assessment is made, the lien to be effective upon recordation of a Notice of Delinquent Assessment. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal

obligation of the person who was the Owner of such Homesite at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to an Owner's successors in title, unless expressly assumed by them.

Section 5.2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties, for the improvement and maintenance of the Common Area and other maintenance obligations of the Association, and such other purposes as set forth in this Declaration and the Bylaws. The portion of assessments levied to pay the costs related to Cost Center(s) shall be used exclusively for the purposes for which they were levied.

Section 5.3. Maximum Annual Assessment. Until January first of the year immediately following the conveyance of the first Homesite to an Owner, or until the first day of the month following an earlier sale of the first Homesite in a new Phase of the Community, the maximum annual assessment for each Homesite in the Community shall be as provided for in the budget approved by the California Department of Real Estate and disclosed in the Final Subdivision Public Report, for the particular Phase of the Community in which such sale occurred, and any amendments thereto. Thus, notwithstanding the limitation on increases in the maximum annual assessments and related time periods contained in this Article, upon the first closing of a sale in a new Phase of the Community the amount of the maximum annual assessment for all Homesites in the Properties will increase or decrease to the amount stated in the budget approved by the California Department of Real Estate for such new Phase. The Association shall maintain an adequate reserve fund for maintenance, repairs and replacement of those elements of the Common Area that must be replaced on a periodic basis, and such reserve shall be funded by annual assessments. In addition, the Association shall maintain adequate Cost Center reserve funds, with a separate fund for each identified Cost Center, for the maintenance, repair and replacement of the Cost Centers, and such reserve shall be funded by annual Cost Center assessments levied only against Homesites having special benefit from the respective Cost Centers, in accordance with the amounts therefor contained in the approved Cost Center Budgets.

5.3.1 From and after January first of the year immediately following the conveyance of the first Homesite to an Owner, the maximum annual assessment may be increased effective January first of each year by the Board without a vote of the membership, provided that (i) any such increase shall not be more than twenty percent (20%) of the previous year's most recent assessment level (including any increase in such assessment resulting from new Phases becoming subject to assessments during such year), and (ii) the Board of Directors has complied with Section 6.2 below with respect to that fiscal year, including, but not limited to, the preparation and distribution of a pro forma operating budget to all members of the Association as provided in Section 6.2 below, 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. Such annual assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period.

5.3.2 From and after January first of the year immediately following the conveyance of the first Homesite to an Owner, the maximum annual assessment may be increased above the amount provided in subparagraph 5.3.1 by the vote or written assent of at least a majority of Owners in the Association constituting a quorum (as defined below), provided that the Board of Directors has prepared and distributed a pro forma operating budget to all members of the Association as provided in Section 6.2 below. For purposes of this Article 5, "quorum" means more than fifty percent (50%) of the Owners of the Association. The Association shall provide notice by first-class mail to each Owner 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.

5.3.3 Said maximum assessment may be reduced by maintenance or subsidy agreements approved by the California Department of Real Estate and reflected in the Final Subdivision Public Report.

5.3.4 The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

5.3.5 The restrictions on increases in assessments contained in this Section 5.3 shall be applied separately to the annual assessments applicable to all Homesites, and to each of the separate Cost Centers applicable only to a particular group of Homesites subject to Cost Center assessments. Increases in the Cost Center assessments, for each separate Cost Center, above the stated limits shall require the approving vote or written consent of a majority of a quorum of the Members subject to Cost Center assessments for the particular Cost Center for which an increase is proposed, in accordance with the procedures of this Article as applied to such Members.

Section 5.4. Special Assessments. In addition to the annual 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 construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or otherwise, provided that any such assessment for capital improvements to the Common Area which total more than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year shall have the vote or written assent of a majority of the Owners constituting a quorum; and, further provided, that any such assessment for capital improvements to a Cost Center, which total more than five percent (5%) of the budgeted gross expenses of the Association with respect to such Cost Center for that fiscal year, shall have the vote or written assent of a majority of the Owners subject to assessments for such Cost Center constituting a quorum. The Association may also levy a special assessment against any Member to reimburse the Association for costs incurred in bringing the Member and such Member's Homesite into compliance with the provisions of the Declaration, any amendments thereto, the Articles, the Bylaws, and the Rules and Regulations, which special assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code, as set forth in the Bylaws. The above provisions requiring the requisite vote of the membership with respect to special assessments do not apply in the case where a monetary penalty is imposed against an Owner as a disciplinary measure by the Association for the following reasons: (1) for failure of an Owner to

comply with the Declaration, Bylaws or Rules and Regulations, or (2) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to Common Areas and facilities for which the Owner is allegedly responsible, or (3) to bring an Owner or its Homesite into compliance with provisions of this Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and any amendments thereto. The Association shall provide notice by first-class mail to each Owner 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 5.5. Notice and Quorum for Any Action Authorized Under Sections 5.3 and 5.4. Any action authorized under Sections 5.3 and 5.4 shall be taken at a meeting called for that purpose, written notice of which shall be sent to all Members not less than ten (10) nor more than ninety (90) days in advance of the meeting. A quorum for such meeting shall be fifty-one percent (51%) of each class of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting. If the proposed action is favored by a majority of the votes cast at such meeting but such vote is less than the requisite fifty-one percent (51%) of each class of Members, Members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by the appropriate officer of the Association not later than thirty (30) days from the date of such meeting.

Section 5.6. Uniform Rate of Assessment. Both annual and special assessments, except as may be otherwise provided in Sections 5.4 and 12.3, shall be fixed at a uniform rate for all Homesites and shall be collected on a monthly basis. Notwithstanding the foregoing, those Homesites which receive special benefit from a Cost Center, as designated in a Notice of Annexation, shall also be subject to Cost Center assessments to reimburse the Association for the cost of periodic inspection, maintenance, replacement and repair, and accumulation of reserves, for the applicable Cost Center(s), in accordance with the amounts stated for such costs in the approved Cost Center Budgets.

Section 5.7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Homesites in a Phase on the first day of the month following the conveyance of the first Homesite in such Phase to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Homesite at least thirty (30) days in advance of each annual assessment period, and such amount is subject to change upon closing of the sale of the first Homesite within any new Phase in accordance with the approved budget for such Phase. Written notice of the annual assessment shall be sent to the Owner of each Homesite within the Community. All Homesites within the real property annexed into the Community under the procedure hereinafter set forth in Article 15 shall be obligated to pay annual assessments to the Association as hereinbefore provided. The annual assessments shall automatically commence as to all Homesites within the annexed areas on the first day of the first month following the conveyance of the first Homesite within such annexed area to an Owner. The due dates for assessments shall be established by the Board of Directors. If any payment of an assessment installment is less than the amount assessed and the payment

does not specify the assessment fund or account into which it is to be deposited, it shall first be applied to pay Association regular annual assessments until the amount due therefor is satisfied, then to pay the Cost Center assessments (if any) due from such Owner until the amount due therefor is satisfied.

Notwithstanding any other provision of this Declaration, conveyance of a Homesite which is being used by Declarant for model home, sales office, design center, construction office or similar purposes (any of which uses are referred to herein as "Model Home") shall not commence the annual assessments against such Homesite or the other Homesites within the same Phase of development until discontinuance of such use of such Homesite as a Model Home, or conveyance of any other Homesite in such Phase not being used as a Model Home to a member of the general public, whichever occurs first. During the period of time commencing on the first day of the calendar month following the sale of a Homesite being used by Declarant as a Model Home, and ending on the date annual assessments commence against such Homesite, Declarant shall be responsible for the maintenance of all portions of such Phase of development in which such Model Home Homesite is located.

Section 5.8. Effect of Non-Payment of Assessments; Remedies of the Association. Any assessment made in accordance with this Declaration shall be a debt of the Owner of a Homesite from the time the assessment is levied. With respect to each assessment not received by the Association within fifteen (15) days after its due date, the Board may, at its election, require the Owner to pay a late charge in a sum to be determined by the Board, but not to exceed ten percent (10%) or Ten Dollars (\$10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent assessment, but it shall not eliminate or supersede any charges imposed on prior delinquent assessments. If any such assessment is not paid within thirty (30) days after the date said assessment is due, the assessment shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay same, and in addition thereto, or in lieu thereof, after the expiration of thirty (30) days following recordation thereof, may foreclose the lien provided herein below against the Homesite.

5.8.1 Any assessment not received by the Association within fifteen (15) days after the due date shall be delinquent. Before the Association may place a lien upon the Homesite of an Owner as provided herein, the Association shall notify such Owner in writing by certified mail of the fee and penalty procedures of the Association, provide an itemized statement which indicates the principal amount 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. The amount of any such delinquent assessment or installment, together with any accompanying late charges, interest, costs (including reasonable attorneys' fees), and penalties, as provided for in this Declaration, shall be and become a lien on the Homesite against which the assessment is levied when the Association causes to be recorded a Notice of Delinquent Assessment (herein the "Notice") in the office of the County Recorder of the County in which the Homesite is located. The Notice shall describe the amount of such delinquent assessment or installment and such other charges thereon as may be authorized by this Declaration, a legal description of the Homesite against which the same has been assessed, the name of the Owner, and, if the lien is to be enforced by the power of sale under nonjudicial

foreclosure proceedings, the name and address of the trustee authorized by the Association to enforce the lien by sale. Such Notice shall be signed by the president or vice-president, and the secretary or assistant secretary of the Association or any employee or agent of the Association authorized to do so by the Board and shall be mailed in the manner set forth in Civil Code Section 2924b to all record owners of the Owner's interest in the Homesite no later than ten (10) calendar days after recordation. Unless the Board considers the immediate recording of the Notice to be in the best interests of the Association, the Notice shall not be recorded until fifteen (15) calendar days after the Association has delivered the above-described required written notice of default. Any payments received by the Association on account of such a debt shall first be applied to the principal amount owed, and only after the principal amount owed is paid in full shall such payments be applied to interest or collection expenses. If the delinquent assessment or installment and related charges are paid or otherwise satisfied, the Association shall record a notice of satisfaction and release of lien.

5.8.2 The Board may, after the expiration of thirty (30) days following recordation thereof, enforce any assessment lien provided for in Section 5.9 hereinabove, by filing an action for judicial foreclosure or, if the Notice contained the name and address of the trustee authorized by the Association to enforce the lien by nonjudicial foreclosure, by recording a notice of default in the form described in Civil Code Section 2924c(b)(1) to commence a nonjudicial foreclosure. Any nonjudicial foreclosure shall be conducted in accordance with the requirements of Civil Code Sections 2924, 2924b, 2924c, 2924f, 2924g, and 2924h that apply to nonjudicial foreclosures of Mortgages or deeds of trust. The sale shall be conducted by the trustee named in the Notice of Delinquent Assessment or by a trustee substituted in accordance with the provisions of the California Civil Code. The Association may bid on the Homesite at the sale, and may hold, lease, mortgage, and convey the acquired Homesite. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Association, the Association shall record a Notice of Satisfaction and Release of Lien, and on receipt of a written request by the Owner, a Notice of Rescission of the Declaration of Default and Demand for Sale. Suit to recover a money judgment for unpaid assessments, rent and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same.

5.8.3 A monetary penalty imposed by the Association as a disciplinary measure for (a) failure of an Owner to comply with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association, or (b) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to the Common Area and facilities for which the Owner or the Owner's guests or tenants is allegedly responsible, or (c) to bring an Owner or its Homesite into compliance with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association shall not be treated as an assessment which may become a lien against the Owner's Homesite enforceable as provided in Section 1356 of the California Civil Code. This Section shall not apply to charges imposed against an Owner which are reasonable late payment penalties for delinquent assessments nor charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent assessments.

5.8.4 In addition to the lien power described hereinabove, each Owner vests in the Association or its assigns, the right and power to bring all actions at law against such Owner or other Owners for the collection of delinquent assessments. In lieu of bringing an action at law to collect delinquent assessments, the Association may submit the matter to arbitration pursuant to the Rules of the American Arbitration Association. The decision of the arbitrator on such delinquent assessment shall be binding on both the Association and the delinquent Owner and may be enforced in any court of competent jurisdiction. The fee to initiate such arbitration shall be paid by the Association and shall be recoverable as part of the arbitration award, in addition to the late charges and interest on the delinquent assessment as provided above.

Section 5.9. Policies for Assessment Collection. The Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices for enforcing its remedies against Members for defaults in the payment of annual and special assessments, including the recording and foreclosing of liens against Members' Homesites.

Section 5.10. Subordination of the Lien to First Deeds of Trust and First Mortgages. The lien for the assessments provided for herein shall be subordinate to the lien of any first Mortgage upon any Homesite. Sale or transfer of any Homesite shall not affect the assessment lien. However, the sale or transfer of any Homesite pursuant to judicial or nonjudicial foreclosure of a first Mortgage or any conveyance in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Homesite from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of Record or other purchaser of a Homesite obtains title to the same as a result of foreclosure or conveyance in lieu thereof, such acquirer of title, including successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Homesite which became due prior to the acquisition of title to such Homesite by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Homesites including such acquirer, its successors and assigns.

Section 5.11. Estoppel Certificate. The Association shall furnish or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments on a specified Homesite have been paid. A properly executed certificate of the Association as to the status of assessments on a Homesite is binding upon the Association as of the date of its issuance.

Section 5.12. Personal Liability of Owner. No Member may be exempted from personal liability for assessments, nor any part thereof, levied by the Association, nor release the Homesite owned by such Member from the liens and charges hereof by waiver of the use and enjoyment of the Common Area and facilities thereon, or by abandonment of such Member's Homesite.

Section 5.13. Exempt Property. All Properties dedicated to and accepted by a local public authority, and all Properties owned by a charitable nonprofit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessments created herein.

However, no real property or improvements devoted to dwelling use shall be exempt from said assessments.

Section 5.14. Assessment Limitation Not Applicable. The limitation on percentage increases of annual assessments shall not limit assessment increases by the Board for the following emergency situations:

- (a) An extraordinary expense required by an order of court;
- (b) An extraordinary expense necessary to repair or maintain the Community or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered; or
- (c) An extraordinary expense necessary to repair or maintain the Community or any part of it 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 pursuant to Article 6 hereof. However, prior to the imposition or collection of an assessment under this subparagraph (c), 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 resolutions shall be distributed to the members with the notice of assessment.

Section 5.15. Association Statement at Transfer of Title. At the request of any Owner transferring title to such Owner's Homesite, the Association shall provide (i) a true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special assessments and fees, as well as any assessments levied upon the Owner's Homesite which are unpaid on the date of the statement, and (ii) any change in the Association's current regular and special assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date disclosure is provided pursuant to this Section.

Section 5.16. Exemption from Assessments to Common Areas. Notwithstanding any other provisions of this Declaration, Declarant or any other Owner shall not be obligated to pay any portion of any assessments, which is for the purpose of defraying expenses and establishing reserves directly attributable to the existence and use of a Common Area improvement that is not complete at the time assessments commence. Any such exemption for the payment of assessments shall be in effect only until a Notice of Completion of the Common Area improvement has been recorded or the Common Area improvement has been placed into use, whichever shall first occur.

**ARTICLE 6
ACCOUNTINGS**

Section 6.1. Books and Records. The Association shall maintain books of account of all its receipts and expenditures. Each Owner shall be entitled at reasonable times to inspect the books

of the Association, and to have such books examined at such Owner's expense by an attorney or an accountant representing such Owner, and may make excerpts or copies of such books or portions thereof, and each such Owner, at such Owner's own expense, shall have the right to have such books independently audited by an accountant.

6.1.1 Commencing not later than ninety (90) days after the close of escrow for the sale of the first Homesite, copies of the documents listed below, as soon as readily obtainable, shall be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the listed documents shall apply to any documents obtained by Declarant no matter when obtained, provided, however, that such obligation shall terminate upon the earlier of (a) the conveyance of the last Homesite covered by a subdivision public report or (b) three years after the expiration of the most recent public report, on the Community:

- (1) The recorded subdivision map or maps for the Community.
- (2) The deeds and easements executed by Declarant conveying the Common Area or other interest to the Association, to the extent applicable.
- (3) The recorded Declaration, including all amendments and annexations thereto.
- (4) The Association's bylaws and all amendments thereto.
- (5) The Association's filed Articles of Incorporation, if any, and all amendments thereto.
- (6) All Architectural Guidelines and all other rules regulating the use of an Owner's interest in the Community or use of the Common Area which have been promulgated by the Association.
- (7) The plans approved by the local agency or county where the Community is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- (8) All notice of completion certificates issued for Common Area improvements (other than residential structures).
- (9) Any bond or other security device in which the Association is the beneficiary.
- (10) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements.

(11) Any insurance policy procured for the benefit of the Association, the Board or the Common Area.

(12) Any lease or contract to which the Association is a party.

(13) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, of the Board, and of committees of the Board.

(14) Any instrument referred to in Business and Professions Code Section 11018.6(d) but not described above which establishes or defines common, mutual or reciprocal rights or responsibilities of Members.

6.1.2 Commencing not later than ninety (90) days after the annexation of additional Phases to the Community, copies of those documents listed above, which are applicable to that Phase, shall, as soon as readily obtainable, be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the listed documents shall apply to any documents obtained by Declarant no matter when obtained, provided, however, that such obligation shall terminate upon the earlier of (a) the conveyance of the last Homesite covered by a subdivision public report or (b) three years after the expiration of the most recent public report, on the Community.

Section 6.2. Budget.

6.2.1 Except as provided in Section 6.2.2, a pro forma operating statement ("Budget") for each fiscal year shall be prepared and distributed to each Owner not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year. The Budget shall consist of both a Base Budget and a separate Cost Center Budget and shall contain the following information:

(a) The estimated revenue and expenses of the Association for the upcoming fiscal year on an accrual basis;

(b) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 6.2.4 below, which shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component within the Common Area and within each identified Cost Center;

(ii) As of the end of the fiscal year for which the study is prepared:

A. The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components within the Common Area, and, separately accounted for, the components within each identified Cost Center;

B. The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components within the Common Area and each identified Cost Center;

(iii) The percentage that the amount determined for purposes of clause B. of subparagraph (ii) above is of the amount determined for purposes of clause A. of subparagraph (ii) above;

(c) 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 within the Common Area or any Cost Centers or to provide adequate reserves therefor;

(d) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Areas or any Cost Centers and facilities for which the Association is responsible.

6.2.2 In its sole discretion, and in lieu of the procedure set forth in Section 6.2, the Board of Directors may elect to distribute a written summary of the Budget ("Summary") to all Owners not less than forty-five (45) days nor more than sixty (60) days before the beginning of the fiscal year. In addition to the Summary, the Board of Directors shall include a written Notice, in at least 10 point bold type on the front page of the Summary stating that: a) the Budget is available for review at a location within the Community or at the office of the management company for the Association; and b) upon the written request of an Owner, the Association shall mail one copy of the Budget to an Owner. Such Budget shall be mailed at the Association's expense by pre-paid first class mail and shall be delivered within five (5) days from the date of the receipt of such Owner's written request.

6.2.3 The summary of the Association's reserves disclosed pursuant to paragraph 6.2.1 shall not be admissible in evidence to show improper financial management of the Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision.

6.2.4 At least once every three (3) years the Board of Directors 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 Community if the current replacement value of the major components within the Common Area, including the Cost Centers, which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half (½) 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. The study required hereunder shall at a minimum include:

(a) Identification of the major components within the Common Area and the Cost Centers 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 thirty (30) years;

(b) Identification of the probable remaining useful life of the components identified in Section 6.2.4(a) as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in Section 6.2.4(a) during and at the end of its useful life;

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

6.2.5 As used in this Article, "reserve accounts" means moneys that the Association's Board of Directors 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.

6.2.6 As used in this Article, "reserve account requirements" means the estimated funds which the Association's Board of Directors 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.

6.2.7 The Budget and financial reporting required by this Article shall include appropriate information regarding the Cost Centers which the Association is obligated to maintain. All Cost Center assessment funds received by the Association shall be maintained in Cost Center operating and reserve accounts separate from the Association's general operating funds and general reserve funds, shall not be commingled with such funds, and shall not be expended for any general purpose of the Association other than for the respective costs of the respective Cost Centers for which they are intended, and for the costs of administrative, accounting and financial reporting requirements and functions directly related to the Cost Centers.

Section 6.3. Initial Financial Report. A balance sheet, as of the accounting date which is the last day of the month closest in time to six (6) months from the date of the closing of the first sale of a Homesite in the Community, and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable, identified by the number of the Homesite and the name of the record Owner so assessed.

Section 6.4. Annual Report. An annual report consisting of the following, separately stated for the general funds of the Association and for each separate Cost Center, shall be distributed to each Owner within one hundred twenty (120) days after the close of the fiscal year:

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

- (b) An operating (income) statement for the fiscal year;
- (c) A statement of changes in financial position for the fiscal year;
- (d) Any information required to be reported under Section 8322 of the Corporations Code; and
- (e) A review of the annual report for the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy, (hereinafter "Independent Accountant"), for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000).

6.4.1 A statement of policies and procedures employed by the Board of Directors to enforce the collection of delinquent assessments.

Section 6.5. Independent Preparation. Ordinarily the annual report referred to in Section 6.4 above shall be prepared by an Independent Accountant for each fiscal year.

Section 6.6. Copy of Financial Statement To Prospective Buyers. Within ten (10) days of receipt of any written request therefor, the Board of Directors shall furnish any Owner or prospective Owner with a copy of this Declaration, the Articles of Incorporation, Bylaws and Rules and Regulations of the Association, as amended to date, together with a copy of the Association's most recent annual financial report as described in Section 6.4 hereof, and a true statement of any delinquent assessments, penalties, late charges, attorneys' fees or other charges under this Declaration on such Owner's Homesite as of the date the statement is issued. The Board of Directors may charge a reasonable fee for providing such documents and reports not to exceed the reasonable cost to prepare and reproduce same.

Section 6.7. Association Officer Statement. If the report referred to in Section 6.5 above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the report was prepared without audit from the books and records of the Association.

Section 6.8. Association's Policies and Practices Statement. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

Section 6.9. Reconciliation of Accounts. The Board of Directors shall do the following not less frequently than quarterly:

- (a) Cause a current reconciliation of the Association's operating accounts to be made and review the same;

(b) Cause a current reconciliation of the Association's reserve accounts to be made and review the same;

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

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

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

Section 6.10. Reserve Account.

6.10.1 Withdrawal of funds from the Association's reserve account, or the Cost Center reserve accounts, shall require the signatures of either: (1) two members of the Board of Directors, or (2) one member of the Board of Directors and an officer of the Association who is not also a member of the Board of Directors.

6.10.2 The Board of Directors shall not expend funds designated as reserve funds for any purpose other than:

(a) 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, or

(b) litigation involving the purposes set forth in (a) above.

6.10.3 Notwithstanding Section 6.10.2 above, the Board:

(a) may authorize the temporary transfer of money from the reserve account, but not the Cost Center reserve accounts, to the Association's operating account to meet short term cash flow requirements or other expenses, provided that the Board has made a written finding, 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 account.

(b) shall cause the transferred funds to be restored to the reserve account within one (1) year of the date of initial transfer; however, the governing body may, upon making a documented finding that a temporary delay of restoration of the funds to the reserve account would be in the best interests of the development, temporarily delay the restoration until such time it reasonably determines to be necessary.

(c) 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 specified in (b) above. Any such special assessments shall be subject to the five percent (5%) limitation specified in Section 5.4 above.

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.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve account to pay for litigation, the Board shall notify the Members 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 the expenses related to litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office.

Section 6.11. Transfer of Title. The Board of Directors shall not impose or collect any assessment, penalty or fee in connection with the transfer of title or any other interest except the Board of Directors' actual costs to change its records and the fee for providing documents pursuant to Section 6.6.

ARTICLE 7 ARCHITECTURAL CONTROL COMMITTEE

Section 7.1. Submissions and Approvals Required. No building, fence, wall, stable or other structure, landscaping or improvement (collectively "Improvement") shall be commenced, erected, placed or altered upon any Homesite until the location and full, complete and legible plans and specifications, in form acceptable to the Board or the Architectural Control Committee, showing the nature, kind, shape, height and materials, including the color scheme, have been submitted by personal delivery or certified mail, return receipt requested, to and approved in writing as to harmony of external design and location of surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee appointed by the Board of Directors and composed of three (3) or more, but not to exceed five (5) representatives ("Architectural Control Committee"). ~~The Architectural Control Committee may designate an agent (i.e. an architect) for the purpose of assisting in the review of such location, plans and specifications or other requests and may charge the Owner making a submission its reasonable costs of such agent's review.~~ Approval shall be by majority vote of the Board or its designated committee. In the event the Board or the Architectural Control Committee fails to approve or disapprove such location, plans and specifications or other requests within forty-five (45) days after receipt of the submission thereof to it of a complete application with all required documents in acceptable form, then the Owner requesting such approval may submit a written notice to the Architectural Control Committee advising the Architectural Control Committee of its failure to act. If the Architectural Control Committee fails to approve or disapprove any such plans and specifications within fifteen (15) days after the receipt of said written notice from such Owner, such approval will not be required; provided that any structure or Improvement so erected or altered, conforms to all of the conditions and restrictions herein contained, and is in harmony with similar structures erected within the Properties. Grade, level or drainage characteristics of the Homesite or any portion thereof, shall not be altered without the prior written consent of the Board or the Architectural Control Committee. The approval requirement set forth in this Section shall not apply to the original construction of Declarant. Each Owner shall be responsible for obtaining all necessary approvals

or permits from applicable governmental entities or agencies and shall comply with all laws, codes and regulations concerning the construction of any such Improvement.

Section 7.2. Appointment of Architectural Control Committee. Declarant may appoint all of the original members of the Architectural Control Committee and all replacements until the first anniversary of the first close of escrow for the sale of a Homesite in the Community to a Class A Member. Thereafter, Declarant may appoint a majority of the members of the Architectural Control Committee until ninety percent (90%) of the Homesites in the Community have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the most recent phase of the Community, whichever first occurs. After one year from the date of the first close of escrow for the sale of a Homesite in the Community to a Class A Member, the Board of Directors of the Association shall have the power to appoint one member to the Architectural Control Committee until ninety percent (90%) of the proposed 202 Homesites in the Community and the Annexable Property have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the most recent Phase of the Community, whichever first occurs. Thereafter, the Board of Directors of the Association shall have the power to appoint all of the members of the Architectural Control Committee. Members appointed to the Architectural Control Committee need not be Members of the Association.

Section 7.3. Views. There are no express or implied easements whatsoever appurtenant to any Homesite for view purposes, or for the passage of light and air across any other Homesite, or any property not within the Community, regardless of whether such Homesite is owned by Declarant. In addition, no Owner shall have any right to the protection of any view that may exist at any time from such Owner's Homesite across any other Homesite or property. Each Owner, by accepting a deed to a Homesite, hereby expressly acknowledges and agrees that any view which his Homesite may enjoy as of the date of purchase may be impaired or obstructed by the installation of trees, other landscaping or other types of barriers (both natural and artificial), the growth of landscaping, the construction or installation of Improvements in the Community and/or any adjoining property, and each Owner hereby expressly consents to any such obstruction. In the event of a dispute between Owners as to the unreasonable obstruction of a view from a Homesite, such dispute shall be submitted to the Architectural Control Committee whose decision in such matters shall be binding. Any such unreasonable obstruction shall, upon request of the Architectural Control Committee, be removed or otherwise altered to the satisfaction of the Architectural Control Committee, by the Owner upon whose Homesite said unreasonable obstruction is located. If said Owner fails to take such action as required, the Association, Architectural Control Committee, or their authorized agents or employees, may, but is not obligated to, enter upon such Homesite, rectify the condition, and charge such Owner the cost thereof. Declarant makes no assurance whatsoever concerning the impact on views of any construction of Improvements by anyone after completion of Declarant's original construction, whether such construction is approved by the Architectural Control Committee or constructed on property contiguous to the Properties.

Section 7.4. Fences and Walls. Each Owner shall maintain the fences and walls installed by Declarant along the side and rear perimeters of such Owner's Homesite, except to the extent that the Association has responsibility for such maintenance. No alteration of such walls and fences

shall be permitted without the prior approval of the Architectural Control Committee. Such fences and walls shall be built so as to straddle the boundary lines of a Homesite, and only one fence or wall shall be constructed on the boundary lines of adjoining Homesites. Each Owner shall obtain all necessary permits for such construction and shall comply with all local laws and ordinances in connection with such construction. The cost of construction and maintenance of the fences and walls shall be borne by the Owner thereof, except that the cost of construction and maintenance for fences and walls which straddle boundary lines of adjoining Homesites shall be borne equally by such adjoining Homesites as required by California Civil Code Section 841

7.4.1 The masonry sound walls located on certain Homesites in the Community and adjacent roads shall be owned by the Association. The interior surfaces thereof shall be the responsibility of the respective Owners of such Homesites to maintain and the Association shall be responsible for the maintenance of the exterior surfaces thereof and the caps thereon, and for the structural repair and replacement of such walls. The Homesites containing such walls subject to this paragraph are described on Exhibit "MSW" attached hereto and incorporated herein by this reference, and/or in Exhibits to Notices of Annexation for future Phases of the Community.

7.4.2 Other block walls located on certain Homesites shall be owned by the individual Owners of such Homesites, and the individual Owners thereof shall be responsible for the maintenance of the interior surfaces of such walls and for the structural repair and replacement thereof. The Association shall be responsible for the maintenance of the exterior surfaces thereof and the caps thereon. The Homesites containing such walls subject to this paragraph are described on Exhibit "BW" attached hereto and incorporated herein by this reference, and/or in Exhibits to Notices of Annexation for future Phases of the Community.

7.4.3 The Owners of all Homesites having tubular steel property line fencing installed by Declarant shall be solely responsible for the maintenance thereof, except as may be otherwise provided in Exhibit "TSF", attached hereto and incorporated herein by this reference, or in Exhibits to Notices of Annexation for future Phases of the Community.

7.4.4 In the event any Owner fails to maintain the fences and walls as required hereunder, then the Association or the Architectural Control Committee may, after due notice to the Owner involved and opportunity to be heard, shall have the right of access to such Owner's Homesite to conduct such maintenance as may be necessary and said Owner shall be liable for all costs incurred by the party conducting such activities.

Section 7.5. Non-Liability of Architectural Committee Members. Neither Declarant, the Association, the Board or the Architectural Control Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Community affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the Architectural Control Committee. ~~The Architectural Control Committee's approval or disapproval of a submission shall be based solely on the consideration set forth in this Article, and in such rules and regulations as may be promulgated by the Architectural Control Committee, and the Architectural Control Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of,~~

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any plans or design from the standpoint of structural safety and conformance with building or other codes.

Section 7.6. Landscaping by Owner. Each Owner of a Homesite shall, within one hundred eighty (180) days after acquiring title thereto, cause the front, side and rear yards of said Homesite to be fully landscaped, subject to reasonable growing times, and shall thereafter cause all landscaping to be maintained in a neat and orderly manner, replacing any plant material which die or are otherwise destroyed. (All planting of trees, shrubs, and landscaping, and the replacement thereof, shall be done only after approval thereof by the Architectural Control Committee and using only trees, shrubs and landscaping approved and permissible within the Community.) No weeds, rubbish, debris, objects or materials of any kind, plants or seed infected with noxious insects or plant diseases shall be placed, grown or permitted to accumulate on any portion of a Homesite which renders such portion of the Homesite unsanitary, unsightly, offensive or detrimental to any Homesite in the vicinity thereof, or to the occupants of any such Homesite, or to the Common Area. In the event of the default in performance of this provision, Declarant, the Architectural Control Committee, the Board or any agents thereof shall have the right to enter upon such Homesite, as provided in Section 10.4 hereof, and remove all such weeds, plants, rubbish, debris, objects of materials and do all the things necessary to place said Homesite in a neat and orderly condition including the installation of front, side and rear lawns and landscaping, and any expenses therefor shall become due and payable by the Owner of said Homesite to such person or entity performing such work within ten (10) days after written demand therefor.

ARTICLE 8 USE RESTRICTIONS AND OBLIGATIONS OF OWNERS

Section 8.1. Leasing of Homesites. Any Owner may lease such Owner's Homesite subject to the following:

8.1.1 No Owner shall be permitted to lease such Owner's Homesite for transient or hotel purposes or for a period of less than thirty (30) days.

8.1.2 No Owner may lease less than the entire Homesite.

8.1.3 Any lease agreement is required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration, the Bylaws and any Rules and Regulations adopted by the Association and that any failure by the lessee to comply with the terms of such documents shall constitute a default under the lease.

8.1.4 All leases are required to be in writing and any Owner who enters into a lease of his Homesite shall, if requested by the Association, provide to the Association, on a form provided by the Association, such information regarding the lessees and/or the lease as the Board deems pertinent for purposes of notice and access into the Community (such as names, addresses, ages, types of vehicles and license plate numbers).

Section 8.2. Use Restrictions. In addition to all other ~~1302~~ occupants contained herein, the use and enjoyment of the Properties and each Homesite therein shall be subject to the following:

8.2.1 No Homesite shall be occupied and used except for residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein, except that Declarant, its successors or assigns, may use any Homesite or Homesites in the Community owned by Declarant for a model home site or sites and display and sales office until the last Homesite is sold by Declarant or seven (7) years following the date of the sale of the first Homesite in the Community, whichever shall first occur. No tent, shack, trailer, garage, outbuilding or structure of a temporary character shall be used at any time as a residence, either temporarily or permanently.

8.2.2 No part of the Community shall ever be used or caused to be used directly, or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purposes. However, the provisions of this Section shall not preclude professional and administrative occupations within the Community, or other reasonable business activity, which have no signs or other external evidence thereof, for so long as such occupations are in conformance with all applicable governmental ordinances, are merely incidental to the use of the Homesite as a residential home, and do not in any manner disturb other occupants or generate pedestrian traffic, deliveries or other nuisance.

8.2.3 No sign or billboard of any kind shall be displayed by any Owner on any portion of the Community or Homesite, except one sign of reasonable size, advertising that the particular Homesite is for sale or rent, or except by Declarant in connection with initial sales of the Homesites, during the sales period set forth in Section 8.2.1, hereinabove.

8.2.4 No noxious or offensive activity shall be carried on in any Homesite or any part of the Community, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of such Owner's respective Homesite or which shall in any way increase the rate of insurance.

8.2.5 No garage shall be used at any time for residential purposes or any purpose that would interfere in any manner with the availability and use of such garage for the purpose of automobile parking for automobiles of the Owner and/or occupants of the Homesite, up to the number of vehicles for which such garage was intended. Parking in driveways shall be permitted at such times as such Owner's garage is already occupied by the number of motor vehicles for which it was designed, and will not accommodate all of such Owner's automobiles, and provided that such parking does not block any sidewalk or obstruct pedestrian or vehicular traffic in the Community. Street parking of automobiles belonging to the Owner and/or occupants of a Homesite shall be limited to temporary additional parking, and shall not be permitted on a permanent basis. No trailer, camper, boat, recreational vehicle, or similar equipment or inoperative automobile, or commercial-type vehicles (e.g., stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks, limousines or vehicles with commercial signage) shall be permitted to remain upon the Community unless placed and maintained entirely within the garage of a Homesite and obscured from the view of the adjoining Homesites and streets.

Parking of recreational vehicles on the private streets in the Community is permitted only for loading and unloading, for a limited period not to exceed forty-eight (48) hours. The foregoing restriction shall not be deemed to prevent washing and polishing of such motor vehicle, boat, trailer, camper or motor-driven cycle, together with those activities normally incident and necessary to such washing and polishing.

8.2.6 An Owner may keep and maintain in such Owner's Homesite only a reasonable number of domesticated pets such as dogs, cats or other usual and ordinary household pets, as may be permitted by the Rules and Regulations adopted by the Board from time to time, provided that such pets shall not be allowed in the Common Area or recreational areas, if any, except as may be permitted by the Rules and Regulations. A "reasonable number" will usually be interpreted to mean no more than one (1) large dog and two (2) cats, or two (2) medium size dogs and one (1) or two (2) cats. The Board in its sole and absolute discretion may determine what constitutes a reasonable number pets in any particular circumstances. Except as hereinabove provided, no animals, livestock, birds or poultry shall be brought within the Community or kept in any Homesite thereof. Owners keeping pets shall be accountable to the other Owners for the acts of such pets, and should any Owner be unable to control barking or other noise or acts of such Owner's pets which disturb any neighbors such Owner shall be required to remove such pet from the Community. Each Owner of a pet shall forthwith clean up and remove any animal waste such pet may deposit on the Common Area or the property of another Owner. No dog will be allowed on the Common Area or recreational areas, if any, without being supervised and on a leash. Any Owner (including such Owner's family, guests and invitees) who maintains any pet, animal, reptile, livestock or other living creature of any kind, within the Community, whether in compliance with this Declaration and the Rules and Regulations or otherwise, shall indemnify, defend and hold the Association harmless from and against any damages, claims, causes of action or losses of any kind or nature, including reasonable attorney's fees and costs, incurred by the Association as a result of any alleged damage or injury caused by such living creature to the Association, to its property, to the Common Area, or to the Members, their family, guests or invitees, or their property.

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

8.2.8 All rubbish, trash and garbage shall be regularly removed from the Community, and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, wood-piles, storage areas, machinery and equipment shall be prohibited within the Community unless obscured from the view of adjoining Homesites and streets.

8.2.9 No roof mounted or other externally mounted radio and/or television antenna systems, shall be permitted within the Community. Declarant has installed a cable television system or a master antenna system with a common central antenna and underground cable to all Residences, as required by the Conditions of Approval for the Community. Each Owner may

maintain individual radio or television antennae systems if located entirely within such Owner's dwelling and if such system is not visible from other Homesites or the Common Area, and provided that such system does not interfere with radio and television reception of other Owners within the Community.

8.2.10 All exterior lighting fixtures shall be designed and adjusted to reflect light downwards, away from any road or street, and away from any adjoining premises and shall otherwise conform to Section 6324 of The Zoning Ordinance of the County.

8.2.11 Easements for surface water drainage and for installation and maintenance of utilities, sewer pipelines and facilities and drainage facilities on, over, under and across each of the Homesites, and all pipelines and other facilities located and to be located in said easements, are reserved for the benefit of the Declarant, the Association, and the other Homesites within the Community, where such facilities are installed and as may be shown on the recorded Maps of the Community or other appropriate recorded document. Within such easements, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or which may change the direction of the flow of drainage channels, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Homesite and all improvements therein shall be maintained continuously by the Owner of the Homesite, except for those improvements for which a public authority or a utility is responsible. In addition, all sewer pipelines and other sewer facilities located or to be located within public roads, streets and highways abutting each of the Homesites are reserved.

8.2.12 Each Owner of a Homesite has the responsibility and duty to maintain the appearance and integrity of such Owner's Homesite and of all slope areas and drainage devices located within such Owner's Homesite, except the Slope Easement Areas.

8.2.13 Each Owner of a Homesite that includes a "fuel modification" setback area where combustible materials are not permitted, shall maintain such area in compliance with all applicable requirements, limitations and restrictions of the Association and concerned governmental agencies, for such fuel modification areas. The fuel modification areas in the first Phase, if any, are shown and/or described in Exhibit "FMA" attached hereto and incorporated herein by this reference ("Fuel Modification Areas"). Fuel Modification Areas in subsequent Phases of the Community may be described in an Exhibit to the applicable Notice of Annexation for such Phase(s) which exhibits shall amend and supplement said Exhibit "FMA".

8.2.14 Each grantee of a Homesite within the Community covenants for such Owner, such Owner's heirs, successors and assigns, that such Owner will permit free access by Owners of adjacent or adjoining Homesites and by the Association, its agents and employees, to all slope areas or drainageways located on such Owner's Homesite, which affect said adjacent or adjoining Homesites, which access is essential for the maintenance or permanent stabilization of said slopes, or maintenance of the drainage facilities for Homesites other than the Homesite on which the slope or drainageway is located.

8.2.15 Each grantee of a Homesite within the Community covenants for such Owner, such Owner's heirs, successors and assigns, that such Owner will not in any way interfere with the established drainage patterns or create erosion or sliding problems over such Owner Homesite from adjoining or other Homesites within the Community, and that such Owner will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over such Owner's Homesite. For the purposes hereof, "established drainage" is defined as the drainage which occurred at the time the overall grading of the Community was completed by Declarant.

8.2.16 Each grantee of a Homesite within the Community shall maintain the slopes within such Owner's Homesite (other than the Slope Easement Areas which are the responsibility of the Association to maintain) at the slope and pitch fixed by the finished grading thereof, including watering and planting of the slopes. Within slope areas no structure, planting, or other material shall be placed or permitted to remain or other activities undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow of drainage channels or obstruct or retard the flow of water through drainage channels. The slope areas of each Homesite and all improvements thereto shall be maintained continuously by the Owner of the Homesite, except for those improvements for which a public authority or utility company is responsible, and except for the Slope Easement Areas. Declarant shall, for a period of one (1) year following sale and deed of any particular Homesite, have the right but not the obligation to enter upon the said Homesite and alter or maintain the slope areas. An easement of reasonable access for said purpose is reserved to Declarant, and the purchaser, by the acceptance of a deed from Declarant, shall take title subject to such easement for said period of one (1) year.

8.2.17 Conveyance of a substantial number of the Homesites is essential to the establishment and welfare of said Community as a residential community. In order that all work necessary to complete the Community and establish a substantially occupied residential community be completed as rapidly as possible, no Owner shall and nothing in this Declaration shall be understood or construed to:

8.2.17.1 Prevent Declarant, its contractor or subcontractors, from doing work on said Community or any part thereof whenever it determines such work to be reasonably necessary or advisable in connection with the completion of the Community; or

8.2.17.2 Prevent Declarant, or its representatives from erecting, constructing and maintaining on any part or parts of said property owned or controlled by Declarant, its contractors, or subcontractors, such structures as may be reasonably necessary for the conduct of its business of completing said work and establishing the Community as a residential community and disposing of the same by sale, lease, or otherwise.

8.2.17.3 Declarant, in exercising its rights hereunder, shall not unreasonably interfere with the Members' use of the Common Area.

8.2.18 All structures and improvements within the Community shall at all times be maintained by their respective Owners in a clean, first-class and properly painted condition.

8.2.19 No Owner or the Association shall permit trees, shrubs, hedges or any other vegetation to shade, block or interfere with the solar access of any solar collector or other solar absorption device on any Homesite, including the Homesite on which the vegetation is also located.

**ARTICLE 9
SCOPE OF ENFORCEMENT**

Section 9.1. Enforcement. The Declarant, the Association and any Owner shall have the right, but not the obligation, to enforce by any proceeding at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration. Failure by Declarant, the Association or any Owner to enforce any covenants or restrictions herein contained shall, in no event, be deemed a waiver of the right to do so thereafter.

The limitations, restrictions, conditions and covenants set forth in this Declaration constitute a general scheme for (i) the maintenance, protection and enhancement of the integrity, beauty and aesthetic qualities of the Community and (ii) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be. Each remedy provided for in this Declaration shall be cumulative and not exclusive. The result of or condition caused by any violation of any of the provisions of this Declaration is and shall be a nuisance, and every remedy in law or equity now or hereafter available against public or private nuisance may be exercised by any person affected thereby. Any of the foregoing to the contrary notwithstanding, no action to enforce this Declaration shall be instituted unless and until a written notice of such breach setting forth the facts of such breach has been delivered by certified mail to the Owner of such Homesite. In the event the Association or any Owner(s), should commence litigation to enforce any of the provisions of this Declaration, that party, if such Owner should prevail, shall be entitled to have judgment against and recover from any defendant in such litigation, such attorneys' fees (other than nominal) as the court may adjudge reasonable and proper. Each Owner shall have a right of action against the Association for any failure of the Association to comply with the provisions of the Declaration, Articles of Incorporation, Bylaws, or Rules and Regulations of the Association.

**ARTICLE 10
DAMAGE TO HOMESITES AND COMMON AREAS**

Section 10.1. Repairs. In the event that an Owner fails to maintain or repair such Owner's Homesite or the improvements thereon or otherwise comply with the provisions of this Declaration, the Bylaws or the Rules and Regulations, the Association, or its agents or employees shall have the right, but not the obligation, to bring the Homesite into compliance with the provisions of this Declaration and the cost incurred therefor shall be assessed to that Owner as a special assessment as set forth in this Declaration.

Section 10.2. Damage to Common Areas. In the event the need for repair of the Common Area or other Association maintained areas is caused through the willful or negligent acts of a Member or such Member's guests or invitees, the Association, or its agents or employees shall have the right, but not the obligation, to make such repairs and the liability of the Member and the cost of repair shall be assessed to that Member as a special assessment as set forth in this Declaration.

ARTICLE 11 INSURANCE

Section 11.1. Liability Insurance. A general public liability and property damage insurance policy covering the Common Area shall be purchased by the Board of Directors as promptly as possible following its election and shall be maintained in force at all times, the premium thereon to be paid out of the monies collected from the assessments. The minimum amount of coverage shall be Two Million Dollars (\$2,000,000) combined single limit liability for bodily injury to any one person, or property damage for any one occurrence; provided, however, that if the Community consists of more than 100 separate interests, such coverage shall be at least Three Million Dollars (\$3,000,000.00). The policy shall name the Association and all Owners as insureds, including Declarant, during such time as Declarant shall remain the Owner of one or more Homesites. The manager, if any, shall also be a named insured on such policy, during such time as such manager's agency shall continue. The insurance shall also contain a cross-liability endorsement to cover negligent injury by one Owner to another, if reasonably available. The Association shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, if any, which shall be distributed within sixty (60) days preceding the beginning of the Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of the insurance, and (d) the amount of deductibles, if any. The Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies described in this paragraph 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 this paragraph, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent that any of the information required to be disclosed pursuant to this paragraph 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 Members. The summary distributed pursuant to this paragraph shall contain in at least 10-point boldface type, the statement required by Civil Code Section 1365(e)(4).

Section 11.2. Hazard Insurance. The Board of Directors shall purchase a "Special Form Causes of Loss" property insurance policy (commonly referred to as all-risk or special perils coverage issued by a Qualified Insurer, as defined herein, providing coverage equal to one hundred percent (100%) of the current replacement cost of all Common Area improvements to the Community then subject to assessments under Article 5 of the Declaration (including all service and

mechanical equipment in the Community). "Qualified Insurer" means any insurance company having a Best's Insurance Reports rating of (a) a B general policyholder's rating and a III financial size category, or (b) an A general policyholder's rating and a II financial size category, and licensed in the State of California. Said insurance policy may contain an earthquake damage endorsement if the Board determines that such coverage is reasonably available and in the best interests of the Members. Replacement cost may exclude land, foundations, excavation, and other items normally excluded from coverage. All hazard insurance required to be maintained by the Board hereunder shall be maintained strictly in accordance with the provisions contained in the FHLMC Seller/Service Guide. The premiums for said insurance policy shall be paid by the Board out of the monies collected from the assessments. The policy may also contain an agreed amount endorsement, a special form endorsement, and a clause to permit cash settlement covering the full value of the improvements in the event of partial destruction and a decision not to rebuild. The policy shall name as insureds all Owners and Declarant, so long as Declarant is the Owner of any Homesite within the Community, and all Mortgagees of record, as their respective interests may appear. The proportionate interest of each Owner in any insurance proceeds in relation to the other Owners, shall be equal. In the event that the insurer under said hazard insurance policy shall cease to be licensed in the State of California, or shall cease to be approved by the Federal Home Loan Mortgage Corporation (so long as insurers continue to be so approved), the Association shall exercise its best efforts to obtain from another Qualified Insurer, a replacement hazard policy comparable to the prior hazard policy, including all required endorsements.

11.2.1 Personal property of a Homesite Owner and additional fixtures added by a Homesite Owner should be insured separately by the Homesite Owner.

Section 11.3. Individual Coverage. Each Owner shall purchase, at such Owner's own expense, and maintain fire and hazard insurance coverage as may be required by such Owner's individual lender. Such insurance shall also contain a loss-payable endorsement to the Mortgagees of individual Homesites, as their interests shall appear.

Section 11.4. Board as Trustee. All insurance proceeds payable pursuant to Section 11.2 of this Article and subject to the rights of Mortgagees under Section 11.7 hereof shall be paid to the lending institutions holding first Mortgages on Homesites within the Community, to the extent of their interests therein, and shall be applied only to the repair and restoration of the damaged premises or to the reduction of the aggregate principal amounts of the mortgage loans secured by such damaged or destroyed premises. Insurance proceeds shall be paid out in accordance with Article 12. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work, as provided in Article 12 hereof.

Section 11.5. Other Insurance. The Board may purchase and maintain in force at all times, demolition insurance in adequate amounts to cover demolition in the event of destruction and a decision not to rebuild. The premium therefor shall be paid out of the monies collected from the assessments. Such policy, if purchased, shall contain a determinable demolition clause or similar clause, to allow for the coverage of the cost of demolition in the event of destruction and a decision not to rebuild. The Board of Directors shall also purchase and maintain Worker's Compensation Insurance to the extent that the same shall be required by law for employees of the

Association. The Board of Directors may also purchase and maintain insurance on commonly owned personal property and such other insurance as it deems necessary, the premium thereof to be paid out of the monies collected from the assessments, including, but not limited to, umbrella or excess liability coverage.

Section 11.6. Owners' Other Insurance. An Owner may carry such additional personal liability and property damage insurance respecting individual Homesites as such Owner may desire.

Section 11.7. Right of Mortgagees. With respect to insurance coverage under Sections 11.2 and 11.3 hereof, any Mortgagee of record shall have the option to apply insurance proceeds payable to it to reduce the obligation secured by the Mortgage.

Section 11.8. Annual Review. The Board shall review the insurance carried by the Association at least annually for the purpose of determining the amount of the casualty and property insurance referred to in Section 11.1 above. The Board shall obtain current appraisal of the full replacement value of the improvements in the Common Area and of the Homesites, except for foundations and footings, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such annual review.

ARTICLE 12 DESTRUCTION OF IMPROVEMENTS

Section 12.1. Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair. In the event of total or partial destruction of the improvements in the Common Area and if the available proceeds of the insurance carried pursuant to Article 11 are sufficient to cover not less than eighty-five (85%) percent of the cost of repair or reconstruction thereof, the same shall be promptly repaired and rebuilt, unless, within ninety (90) days from the date of such destruction, seventy-five (75%) percent of each class of membership present and entitled to vote in person or by proxy, at a duly constituted meeting, determine that such reconstruction shall not take place. If reconstruction is to take place, the Board of Directors shall be required to execute, acknowledge, file and record, not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Association to rebuild.

Section 12.2. Proceeds Less Than Eighty-Five Percent (85%) of Cost to Repair. If the proceeds of such insurance are less than eighty-five (85%) percent of the cost of reconstruction, such reconstruction may, nevertheless, take place, if within ninety (90) days from the date of said destruction, at least sixty-six and two-thirds percent (66-2/3%) of each class of membership elect to rebuild.

Section 12.3. Additional Contributions From Owner. If the Association determines to rebuild, pursuant to either Sections 12.1 or 12.2, each Owner shall be obligated to contribute such funds as shall be necessary to pay such Owner's proportionate share of the cost of reconstruction over and above the insurance proceeds, and the proportionate share of each Owner shall be equal. In the event of failure or refusal by any Owner to pay such Owner's proportionate share, after notice to such Owner, should such failure or refusal continue for a period of sixty (60) days, the

Board of Directors may levy a special assessment against such Owner, which may be enforced under the lien provisions, hereinbefore contained.

Section 12.4. Association to Contract for Rebuilding. If the Owners determine to rebuild, the Board of Directors shall obtain bids from at least two (2) reputable contractors and shall award construction work to the lowest bidder. The Board of Directors shall have the authority to enter into a written contract with said contractor for such reconstruction and the insurance proceeds held by the Board shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to insure the commencement and completion of such reconstruction at the earliest possible date.

Section 12.5. Insufficient Vote to Rebuild. If the vote of the Owners shall be insufficient to authorize rebuilding, either pursuant to Sections 12.1 or 12.2 above, the following shall apply:

12.5.1 Any insurance proceeds available for such rebuilding shall be distributed among the Owners and their individual lenders by the Board, as their respective interests may appear. The proportionate interests of each Owner in said proceeds in relation to other Owners shall be equal.

12.5.2 The Board shall have the duty, within one hundred twenty (120) days of the date of such loss, to execute, acknowledge and record a certificate setting forth the determination of the Association not to rebuild, and shall promptly cause to be prepared and filed, such revised maps and other documents as may be necessary to show the conversion of the Common Area to the status of unimproved land.

Section 12.6. Revival of Right to Partition. Upon recordation of such certificate, referred to in Section 12.5.2, above, the right of any Owner to partition such Owner's Homesite through legal action, shall forthwith revive.

Section 12.7. Arbitration. In the event of a dispute among the Owners, with respect to the provisions of this Article, any Owner may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to the Members of the Board and all Owners as promptly as possible after reference to arbitration is made, giving all Owners an opportunity to appear in such arbitration proceedings. The decision of such arbitrator in this matter shall be final and conclusive upon all Owners. The arbitrator may include in the decision an award for costs and/or attorneys' fees against any one or more of the parties to the arbitration.

**ARTICLE 13
MORTGAGEE PROTECTION**

Section 13.1. Mortgagee Protection. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce lenders and investors to participate in the financing of the sale of Homesites in the Community, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions in this Declaration, these added provisions shall control):

13.1.1 No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any first Mortgage (meaning a Mortgage with first priority over any other Mortgage) on any Homesite 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.

13.1.2 Each holder of a first Mortgage encumbering any Homesite is entitled upon request to timely written notification from the Association of any default by the Mortgagor of such Homesite in the performance of such Mortgagor's obligations under this Declaration, the Bylaws or Rules and Regulations of the Association which is not cured within sixty (60) days. Any Institutional Lender holding a first Mortgage on any Homesite within the Community shall be entitled to prior written notice of certain proposed actions of the Association as hereinafter set forth in Sections 13.1.5.1 through 13.1.5.8, inclusive, provided that such Institutional Lender furnishes the Association with a written request for notice which request sets forth the particular Institutional Lender's mailing address and identifies the Homesite on which it holds an encumbrance.

13.1.3 Each holder of a first Mortgage encumbering any Homesite which obtains title to such Homesite pursuant to: (a) remedies provided in such Mortgage, or (b) by accepting a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, shall be exempt from any "right of first refusal," if any, contained in the Declaration or the Bylaws of the Association. Further, any such "right of first refusal" shall not impair the rights of a first Mortgagee or interfere with a subsequent sale or lease of a Homesite so acquired by the Mortgagee.

13.1.4 Each holder of a first Mortgage or third party foreclosure purchaser which obtains title to a Homesite pursuant to foreclosure of the first Mortgage, shall take the Homesite free of any claim for unpaid dues, assessments or charges against the Homesite which accrue prior to the time such holder obtains title to such Homesite (except for claims for a share of such assessments or charges resulting from a reallocation of such dues, assessments or charges among all Homesites, including the mortgaged Homesite). The lien assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter placed upon a Homesite subject to assessment; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Homesite pursuant to a decree of foreclosure or trustee sale. Such sale or transfer shall not release such Homesite from liability

for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

13.1.5 Unless at least two-thirds (2/3) of the Institutional Lenders holding a first Mortgage on a Homesite within the Community (based upon one vote for each first Mortgage owned), or at least two-thirds (2/3) of the Owners (other than the Declarant) have given their prior written approval, the Association and its Members shall not be entitled to:

13.1.5.1 By act or omission, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or the exterior appearance of Homesites, the exterior maintenance of Homesites, the maintenance of the Common Area, party walks or common fences and driveways, or the upkeep of lawns and plantings in the Community;

13.1.5.2 Change the pro rata interest or obligations of any Homesite for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

13.1.5.3 Partition or subdivide any Homesite;

13.1.5.4 By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Common Area or partition the Common Area except as provided for herein. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Area and the Community shall not be deemed a transfer within the meaning of this clause;

13.1.5.5 Use hazard insurance proceeds for losses to any Common Area for other than repair, replacement or reconstruction of such Common Area, except as provided by statute in case of substantial damage to the Common Area of the Community;

13.1.5.6 Fail to maintain fire and extended coverage on insurable planned development common property within the Community 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);

13.1.5.7 Effectuate any decision of the Association to terminate professional management and assume self management of the Community; and

13.1.5.8 Amend any part of this Article 13.

13.1.6 First Mortgagees shall have the right to examine the books and records of the Association during normal business hours.

13.1.7 The annual assessments shall include an adequate reserve fund for maintenance, repair and replacement of the improvements to the Common Area and those portions thereof that

must be replaced on a periodic basis, and shall be payable in annual assessments rather than by special assessments.

13.1.8 All taxes, assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Homesites, and not to the Community as a whole.

13.1.9 In the event of substantial damage to or destruction of any Homesite or any element of the Common Area or possible condemnation or eminent domain procedure, the Institutional Lender under any first Mortgage on a Homesite is entitled to timely written notice of any such damage, destruction or proposed acquisition and no provision in the Bylaws, nor in this Declaration shall be interpreted to entitle any Owner or any other party to priority over any first Mortgagee with respect to the distribution to such Owner of any insurance proceeds or condemnation awards for losses to, or a taking of, Homesites and/or Common Areas.

13.1.10 Any agreement for professional management of the Community, or any other contract providing for services by the Declarant shall provide for termination by either party without cause or payment of a termination fee upon thirty (30) days' written notice, and that the term of any such contract shall not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods.

13.1.11 The Association shall, upon the request of any Institutional Lender under a first Mortgage on a Homesite: (i) give written notice of all meetings of the Association and permit the Institutional Lender to designate a representative to attend all such meetings, and (ii) transmit to such Institutional Lender an annual audited financial statement of the Community within ninety (90) days following the end of any fiscal year of the Community.

13.1.12 No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, or the Association, or any Owner may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation, and/or to recover damages; provided, that any such violation shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to said Homesite or any part thereof. Said covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee's sale or otherwise.

13.1.13 First Mortgagees of Homesites may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Area and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all first Mortgagees and upon request of any first Mortgagee the Association shall execute and deliver to such first Mortgagee a separate written Agreement embodying this provision.

**ARTICLE 14
AMENDMENTS**

Section 14.1. Amendments. During the period of time prior to conversion of the Class B membership to Class A membership, this Declaration may be amended only by an affirmative vote of at least seventy-five percent (75%) of the voting power of each class of Members of the Association. After the conversion of Class B membership in the Association to Class A membership, the Declaration may be amended only by an affirmative vote of (i) at least seventy-five percent (75%) of the total voting power of the Association, and (ii) at least seventy-five percent (75%) of the voting power of the Association other than Declarant. In no event shall the percentage of the voting power necessary to amend a specific provision of this Declaration be less than the percentage of affirmative votes prescribed for action to be taken under said provision. An Amendment hereto shall be effective after (a) the approval of the percentage of Owners required in this Section has been given, (b) that fact has been certified in a writing executed and acknowledged by the officer designated by the Association for that purpose, or if no one is designated, by the president of the Association and (c) that writing has been recorded in the county in which the Community is located. Any amendment of this Declaration which would defeat the obligation of the Association to maintain the Common Areas and facilities as described in Article 4 hereof, must receive the written approval of the California Department of Real Estate prior to the recordation thereof.

Notwithstanding any other provision of this Section, for so long as Declarant owns any portion of the Properties or the Annexable Property, Declarant may unilaterally amend this Declaration by recording an instrument in writing, signed by Declarant, without the consent of the Association or any other Owner, provided that such amendment is made in order to conform this Declaration to the requirements of the DRE, the United States Department of Veterans Affairs, FHA, FNMA, GNMA, FHLMC, or any other governmental entity.

Section 14.2. Effectiveness of Amendment. From and after its effective date, each amendment made pursuant to the preceding paragraph shall be as effective as to all Homesites within the Community, the Owners thereof and their successors in interest.

Section 14.3. Petition the Superior Court. Nothing in this Declaration shall restrict the ability of any Owner at any time to petition the Superior Court in the county in which the Community is located to amend this Declaration as provided under California Civil Code Section 1356.

**ARTICLE 15
ANNEXATION**

Section 15.1. Annexation of Additional Property by Declarant. All or portions of the Annexable Property described in Exhibit "A" hereto may be annexed into the Community by the Declarant without the consent of the Members of the Association, provided, however, that the Commissioner of the Department of Real Estate makes the following determinations:

(a) That the proposed annexation will not result in an overburdening of the Common Areas;

(b) That the proposed annexation will not result in a substantial increase in the assessments of the existing Homesites which was not disclosed in the Final Subdivision Public Report under which the existing Owners purchased their respective Homesites;

(c) That the real property and the total number of residential units proposed to be annexed were adequately identified; and

(d) That Declarant executes a written commitment concurrently with the closing of escrow for the first sale of a Homesite in the annexed property to pay to the Association appropriate amounts for reserves for replacement or deferred maintenance of Common Area improvements in the annexed property necessitated by, or arising out of the use and occupancy of Homesites under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrows for the first sale of a Homesite in the annexed property.

Said conditions shall be deemed to be satisfied upon issuance by the Department of Real Estate of a Final Subdivision Public Report with respect to the real property proposed to be annexed.

Section 15.2. Annexation of Additional Property by Association. Upon approval in writing by the Association, pursuant to the vote of at least two-thirds (2/3) of the voting power of its Members or the written assent of such Members, excluding the voting power or written assent of Declarant, the Owner of any real property who desires to add such property to the scheme of this Declaration and to subject same to the jurisdiction of the Association, may file of record a Notice of Annexation which shall extend the scheme of this Declaration to such property.

Section 15.3. Annexation Procedure. The annexation of additional real property authorized under Sections 15.1 and 15.2 shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional real property, which Notice of Annexation shall expressly provide that the scheme of this Declaration shall extend to such additional real property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Declaration as are necessary to reflect the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Declaration.

Section 15.4. Obligations of Annexed Property. The obligation of Owners in the annexed property to pay assessments levied by the Association and the right of such Owners to exercise voting rights in the Association in a Phase within such annexed property shall not commence until the first day of the month following close of the first sale of a Homesite by Declarant in that particular Phase of development.

Section 15.5. De-Annexation. Declarant hereby reserves the right to de-annex any Homesite or Homesites within the Community and to delete said Homesite or Homesites from the scheme of

this Declaration and from the jurisdiction of the Association, provided and on condition that the de-annexation shall be made prior to the closing date of the sale of the first Homesite in the annexed property within the Community.

**ARTICLE 16
PARTY WALLS**

Section 16.1. Rights and Duties. The rights and duties of the Owners of Homesites with respect to party walls shall be governed by the following:

16.1.1 Each wall which is constructed as a part of the original construction and located between separate Homesites, shall constitute a party wall, and with respect to such wall, each of the adjoining Owners shall jointly assume the burdens and share the cost of reasonable maintenance and repair in proportion to such use. Each Homesite shall be subject to an easement for that portion of the party wall which is necessary for support, and each such Owner shall be liable for all property damage due to negligence or willful acts or omissions in connection with such wall.

16.1.2 If any such party wall is damaged or destroyed through the act of one of the adjoining Owners, any member of such Owner's family, a guest, agent (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, the Owner responsible for the damage or destruction thereon shall be required to make any and all necessary repairs thereto, without cost to the adjoining Owner.

16.1.3 If any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, such Owner's agents, or family (including, but not limited to, earthquake damage), each adjoining Owner shall be required to make any and all necessary repairs thereto at their joint and equal expense.

16.1.4 Any Owner proposing to modify, make additions to, or rebuild such Owner's Homesite in any manner which requires the extension or alteration of any party wall, shall be required to first obtain the written consent of the adjoining Owner. Such Owner must also comply with all dictates of this Declaration which may be relevant.

16.1.5 The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

16.1.6 In the event of a dispute between Owners with respect to the repair of a party wall or with respect to the sharing of the cost thereof, the matter shall be submitted to the Board for resolution upon the written request of either Owner. Any decision of the Board of Directors shall be final and conclusive upon the parties.

ARTICLE 17
COVENANTS IN FAVOR OF LOCAL JURISDICTION

Section 17.1. Local Jurisdiction. The local governmental entity with primary jurisdiction over this residential planned development is the County of San Diego, a political subdivision of the State of California. The Association shall, at all times, abide by all County ordinances and resolutions as well as the laws of the State of California.

Section 17.2. Special Covenants. The following covenants shall be binding upon the Association and all Members in favor of the County of San Diego:

17.2.1 The Association shall at all times provide for the maintenance of all improvements within the Common Areas, and all other Association maintenance areas, including, with limitation, all landscaping, trees, shrubbery, plants and grass, slopes, fences, natural open space areas, fuel modification areas, parkway areas, drainage improvements, swales, debris basins and detention basins, if any, private streets, drives and walks, automatic entry gates, and the pocket park with "tot lot" improvements, within the Common Area.

17.2.2 The Association shall be responsible for the maintenance, repair and replacement of landscaping and related improvements located in the Off-Site Maintenance Areas, outside of the geographical boundaries of the Community, in accordance with the Conditions of Approval for the Community. Subject to any applicable Maintenance Agreement entered into with Declarant, the Association shall assume responsibility for maintenance of the Off-Site Maintenance Areas on a Phase by Phase basis. The location and description of the Off-Site Maintenance Areas for Phase 1, if any, are described in Exhibit "OSMA" attached hereto ("Off-Site Maintenance Areas"). Additional Off-Site Maintenance Areas, and the time for commencement of Association responsibility therefor, may be described in Notices of Annexation for future Phases, or in deeds granting easements to such areas to the Association, or other appropriate documents. The maintenance responsibility of the Association for Off-Site Maintenance Areas shall commence on the commencement date of the applicable approved Budget for the Association for each Phase covered by a separate Final Subdivision Public Report issued by the California Department of Real Estate, which includes the cost of maintenance of the applicable Off-Site Maintenance Areas. The Off-Site Maintenance Areas shall be maintained in accordance with the applicable County standards for such maintenance.

17.2.3 The Association shall have the exclusive right and duty to maintain those portions of private Homesites within the Slope Easement Areas, and to maintain, repair and replace all improvements located therein, including the irrigation systems, landscaping, drainage improvements, common walls and fences, and slope stabilization improvements, as further provided in Section 2.7 above.

17.2.4 The Association hereby requests that the County of San Diego enforce traffic and parking regulations on the streets within the Community pursuant to California Vehicle Code Section 21107.5.

17.2.5 Declarant has granted to the County of San Diego certain open space easements over portions of the Common Area open space lots, which easements are for the protection of the biological habitat. The Association shall comply with and shall enforce the prohibitions contained in such easements. All of the following, without limitation, are prohibited on any portion of the real property subject to such easements: grading; excavation; placement of soil, sand, rock, gravel or other material; clearing of vegetation (except by written order of local fire authorities); construction, erection or placement of any building or structure; vehicular activities; trash dumping; or use for any purpose other than as open space. The County and its agents shall have the periodic right to access the areas subject to the easements and to perform management and monitoring activities thereon for the purposes of species and habitat conservation.

17.2.6 The Association shall maintain, repair and replace the permanent signs placed by Declarant approximately every fifty feet (50') along the common boundaries between the residential Homesites and the open space areas subject to the above described easements, in accordance with the requirements of the Conditions of Approval for the Community..

17.2.7 Written notice of any proposed amendment to this Declaration which would adversely affect the obligation of the Association to maintain the private streets or any other part of the Common Area, or other areas that are the responsibility of the Association to Maintain, shall be given to the County Counsel of the County of San Diego prior to the enactment thereof. The County of San Diego shall have the right to veto any proposed amendment within a reasonable time after receiving such notice.

Section 17.3. Covenant Regarding Best Management Practices.

17.3.1 The Association shall review the contents of the Storm Water Pollution Prevention Plan (SWPPP) for the Community, and shall adhere to all requirements thereof, and all applicable stormwater statutes, laws, regulations and ordinances. The Association shall make a copy of the SWPPP available for review by each Owner, and each Owner hereby acknowledges the existence of the SWPPP for the Community, and agrees to review the contents of same for adherence to all applicable requirements with respect to his or her Homesite.

17.3.2 The Association shall maintain all drainage devices located within the Common Area, in good and functional condition to safeguard the Owners and the adjoining properties from damage and pollution. The Association shall conduct inspections to insure that Best Management Practices ("BMP's") for control of stormwater runoff are maintained in accordance with applicable requirements of the County of San Diego. No Owner whose Homesite contains any stormwater management facilities or improvements shall permit interference with or damage to same, and no Owner shall do any act which shall contribute to the introduction of pollutants into said storm drainage facilities, including, but are not limited to, soil, sand, sediment, oil, gasoline or other hydrocarbons, paint, fertilizers, pool chemicals, and other household chemicals. For example, Owners must place sandbags around soil and sod when installing landscaping, and take measures to prevent over-watering the landscaping, in order to prevent soil, fertilizer and lawn chemicals from running into the storm drains.

**ARTICLE 18
GENERAL PROVISIONS**

Section 18.1. Extension of Declaration. The provisions of this Declaration shall run with the land and bind the Community, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Homesite subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time the provisions of this Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by at least seventy-five percent (75%) of the then Owners of Homesites, has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Declaration as it may be supplemented in whole or in part.

Section 18.2. Encroachment Easement. In the event any improvement to a Homesite encroaches upon the Common Area as a result of the initial construction, or as the result of repair, shifting, settlement or movement of any portion thereof, an easement for the encroachment and for the maintenance of same, shall exist so long as the encroachment exists. Further, each Owner within the Properties is hereby granted an easement over all adjoining Homesites for the purpose of accommodating any minor encroachment, due to engineering errors, errors in original construction, settlement or shifting of the building, roof overhang, architectural or other appendants for so long as any such encroachment continues to exist.

Section 18.3. Ownership Interest. An ownership interest in a Homesite within the Community may pass from the estate of a deceased person to more than one person; provided, however, that only one living individual shall be entitled to have membership privileges in the Association derived from such ownership.

Section 18.4. Severability. In the event any limitation, restriction, condition, covenant or provision contained in this Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

Section 18.5. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community.

Section 18.6. Termination of Declarant's Obligations. In the event Declarant shall convey all of its right, title and interest in and to the Community to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

Section 18.7. Number, Gender. The singular shall include the plural and the plural the singular unless the context requires to the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

Section 18.8. Non-Liability of Declarant. Each Owner, by acceptance of a deed, shall be deemed to have agreed that Declarant shall have no liability whatsoever resulting from any term or provision thereof having been held to be unenforceable in whole or in part.

Section 18.9. Grantees Subject to this Declaration. Each grantee of a conveyance or purchaser under a contract or agreement of sale, by accepting the deed or contract of sale or agreement of purchase, accepts the same subject to all of the limitations, restrictions, conditions and covenants, and agreements set forth in this Declaration, and agrees to be bound by the same.

Section 18.10. Bonded Obligations. In the event that improvements to the Community have not been completed prior to the issuance of the Final Subdivision Public Report for the Community, and the Association is obligee under a bond or other security (hereinafter "Bond") to secure performance of the commitment of the Declarant to complete such improvements, the following provisions shall apply:

18.10.1 The Board of Directors 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 improvements in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any 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.

18.10.2 In the event that the Board of Directors 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%) of the total voting power of the Association.

18.10.3 The only Members entitled to a vote at such meeting of Members 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 this decision by initiating and pursuing appropriate action in the name of the Association.

18.10.4 The Association shall act in a reasonably prompt manner to exonerate Declarant and its surety under any Bond in favor of the Association upon completion of the improvements.

Section 18.11. Cultural Resources Open Space Preserve.

18.11.1 Lot Nos. 25 through 28 of Tract No. 5175-1, located within the Glens portion of the Community, is cultural resource area containing an ancient burial site considered culturally sensitive, and is subject to an Open Space Easement (recorded January 16, 2003, as Document No. 2003-0058116). Said Lots will not be developed for residential use, but are required to be maintained in their natural state. A Preservation Plan is required pursuant to the County Open Space Easement and will be recorded upon those Lots.

18.11.2 Although said Lot Nos. 25 through 28 will be owned in fee by the Association, and will therefore constitute Common Area of the Association, OWNERS AND OCCUPANTS OF THE COMMUNITY WILL HAVE NO RIGHT OF ACCESS, USE OR ENJOYMENT OF SAID LOTS FOR ANY PURPOSE. The Association shall have the responsibility to maintain said Lots, which shall include: (a) posting of no trespassing signs stating "no trespassing or disturbance of the property at any time, violators will be prosecuted," (b) maintenance of the fence surrounding the Lots, (c) maintenance of the vegetation as needed, (d) removal, as needed, of litter or other unsightly foreign materials that may be found therein, and (e) performing of any selective clearing of vegetation by hand for the express purpose of reducing an identified fire hazard. The Association and Owners shall comply with all requirements imposed by the County and any other applicable governmental agency regarding the protection and preservation of the Open Space Preserve.

18.11.3 The Association shall have the right and power at any time to transfer fee title to said Lots to a culturally appropriate Indian Tribe or Indian tribal entity, a nonprofit conservation entity, or other appropriate public district or public entity willing to accept responsibility for the ownership and maintenance thereof, together with an access easement over Oak Spur Way, as necessary, to access such Lots, without approval by the Members, but with the concurrence of the Pechanga and San Luis Rey Bands of Luiseño Indians.

18.11.4 The provisions of this Section shall not be amended without the written approval of Declarant for so long as Declarant owns any portion of the Community or the Annexable Property.

**ARTICLE 19
GOLF COURSE PROVISIONS**

Section 19.1. Golf Course Easements.

19.1.1 Errant Golf Balls. All of the Community within one hundred (100) yards of the perimeter boundaries of the Meadows Lake Golf Course (including Homesites and Common Areas) shall be burdened with an easement permitting golf balls unintentionally to come upon and to fly over such land and for golfers, at reasonable times and in a reasonable manner, to come upon the land to retrieve errant golf balls; provided, however, if any of the land is fenced or otherwise secured, the golfer shall not enter without the Owner's permission and shall not unreasonably disturb the Owner to obtain such permission and nothing herein shall give any

person the right to enter any Residence, building or other structure or to open any fence or gate on such property to retrieve golf balls; and provided further, that nothing herein shall permit a golfer to strike a golf ball from any land outside the Golf Course. The existence of this easement shall not relieve golfers striking the errant golf balls of liability, if any, caused by any such errant golf balls. The Association and the Owners and occupants of Homesites hereby release the Golf Course Owner of any liability relating to any errant golf balls.

19.1.2 Overspray. The developed portions of the Community immediately adjacent to the Golf Course are hereby burdened with a non-exclusive easement in favor of the Golf Course for reasonable overspray of water from the irrigation system serving the Golf Course, including non-potable recycled water. So long as the Golf Course Owner uses ordinary and customary care, the Association and the Owners and occupants of Homesites immediately adjacent to the Golf Course hereby release the Golf Course Owner of any liability relating to any reasonable overspraying of irrigation, fertilizer, pesticides and other chemicals and the incursion of maintenance and other vehicles.

19.1.3 No Right to Enter Golf Course Facility. The Golf Course is a semi-private golf course and is not a part of the Community. No Owner or occupant shall have any right, by virtue of ownership of a Homesite whether or not contiguous to the Golf Course, of access, entry, or other use of the Golf Course or any facilities of the Golf Course. In order to use the Golf Course facilities, an Owner will be required to satisfy such conditions as may be required by the Golf Course. Owners and occupants of Homesites are prohibited from installing any gate or other means of entry into the Golf Course in the fences between a Homesite and the Golf Course. While the Owners and occupants of the Community shall have the right to the quiet enjoyment of their property, there shall be no activity on any Homesites or the Common Area that is contiguous to the Golf Course, or any other portion of the Community located within a distance of one hundred (100) feet from the boundary of the Golf Course, that unreasonably disturbs play or the enjoyment of the Golf Course or any of its facilities by users thereof, including, without limitation, undue noise, unsightly trash and debris, or any other noxious or offensive activity except for normal construction activities in connection with the development of the Community.

Section 19.2. Golf Course Liabilities As required pursuant to the Golf Course Declaration, by accepting the grant deed to a Homesite in the Community, each Owner, for himself or herself and his or her invitees, personal representatives, assigns, heirs and next of kin (collectively, the "Owner's Related Parties") covenants and agrees as follows:

(a) Each Owner hereby acknowledges that the potential effect on his or her Homesite and Residence of (a) stray golf balls and other events inherent to the activities of the Golf Course adjacent to the Community ("Golf Course Hazards") and the effect of the installation or growth of trees, shrubs and other landscaping on the Golf Course, (b) the potential for damage to such Owner's Residence including, without limitation, stucco, tile roofs and windows, attributable to the Golf Course Hazards, (c) any adverse effect on any landscaping installed by an Owner on the Owner's Homesite arising from or attributable to the use of reclaimed water on the Golf Course by the Golf Course Owner, (d) nuisances created by or arising from the Golf Course, including, without limitation, the landscaping and maintenance of the Golf Course and the use of fertilizers and pesticides in connection therewith, noise generated

by the use or maintenance of the Golf Course and hours of play (including, without limitation, foul language or raucous noise) or maintenance activities and visibility of lights used in connection with any driving range or clubhouse, if any, installed by the Golf Course Owner, (d) overspray in connection with the watering of the roughs, fairways and greens; (e) noise from maintenance and the operation of equipment (including, without limitation, irrigation systems, compressors, blowers, mulchers, tractors, utility vehicles and pumps, all of which may be operated at all times of the day and night and/or continuously); (f) odors arising from irrigation and fertilization of the turf situated on the Golf Course; and (g) disturbance and loss of privacy resulting from golf cart traffic, golfers, vehicle and pedestrian congestion;

(b) Each Owner hereby assumes the risk of any property damage, personal injury and/or creation or maintenance of a trespass or nuisance created by or arising in connection with the Golf Course Hazards or any matters described above (collectively the "Assumed Risks"), and

(c) Each Owner, by acceptance of a grant deed, further acknowledges and agrees that Declarant, in making any reference to a Golf Course herein, makes no warranties or representations that a Golf Course will be a part of or adjacent to the Community or that a Golf Course will continue to be maintained and operated within or adjacent to any portion of the Community. Each Owner further acknowledges and agrees that the standard of maintenance of the Golf Course or any improvements thereon is within the sole discretion of the Golf Course Owner.

(d) Each Owner hereby releases, waives, discharges, covenants not to sue, indemnifies and agrees to hold harmless Declarant, the Association, the Board, the other Members, the Golf Course Owner, and each of their respective officers, directors, shareholders, members, affiliates, agents, employees, successors and assigns, (collectively, the "Released Parties"), and each of them, from any and all liability to the Owner or Owner's Related Parties for any losses, costs (including, without limitation, attorneys' fees), claims, demands, suits, judgments or other obligations arising out of or connected with any of the Assumed Risks, whether caused by the negligence of the Released Parties or otherwise. This release and waiver shall be binding upon each Owner whether or not separately set forth in the documents of sale and/or deed to such Owner's Homesite. Each Owner, by acceptance of a grant deed, acknowledges that the Golf Course is a privately owned Golf Course and the Association has no obligation or right to regulate or control the Golf Course, in any way or manner.

(e) Under no circumstances shall the Golf Course Owner, any member or partner thereof, or any affiliate of any such member or partner, or their respective employees, officers, directors or agents or any architect, builder, land planner or contractor hired or retrained by such Golf Course Owner, in their capacities as such, be held liable for: (a) any property damage or personal injury resulting from errant golf balls (regardless of number) hit by third parties, (b) retrieval of errant golf balls, or any trespass or invasion of an Owner's or occupant's property rights by third parties, (c) the level of skill of any golfer (regardless of whether such golfer has the permission of the Golf Course manager to use the Golf Course); (d) the improper design of the Golf Course; or (e) the overspray from the Golf Course.

**ARTICLE 20
DISPUTE MECHANISM**

Section 20.1. Notice to Members Prior to Filing Civil Action. Not later than thirty (30) days prior to the filing of any civil action by the Association against the Declarant or other developer of the Community for alleged damage to the Common Area, alleged damage to the Homesites that the Association is obligated to maintain or repair, or alleged damage to the Homesites that arises out of, or is integrally related, to damage to the Common Area or Homesites that the Association is obligated to maintain or repair, the Board shall provide written notice to each Member who appears on the records of the Association at the time notice is given, specifying (a) that a meeting of Members will be held to discuss problems that may lead to the filing of a civil action, (b) the options, including civil actions, that are available to address the problems, and (c) the time and place of the meeting. If the Association has reason to believe that the applicable statute of limitations will expire before the association files the civil action, the Association may give the foregoing notice not later than thirty (30) days after the filing of the action.

Section 20.2. Dispute Resolution. Any disputes between all or any of the Association, Owner(s), the Declarant, or any director, officer, partner, employer, contractor, design professional, consultant, subcontractor or agent of the Declarant (collectively "Declarant Parties"), arising under this Declaration or relating to the Properties, shall be subject to the following provisions of this Section 20.2 and the following Sections 20.3, 20.4 and 20.5.

Section 20.3. Construction Defect Disputes.

20.3.1 Notice of Construction Claims Statute. California Civil Code Section 895 et seq., as hereafter amended ("Construction Claims Statute"), delineates standards for how various components of residential dwelling units should be constructed and function, limits the time frames for bringing various claims against the builder to anywhere from one year to ten years (as listed in the Construction Claims Statute) from the close of escrow for the residential dwelling unit, imposes an obligation on all Owner's to follow Declarant's maintenance recommendations and schedules, or other applicable maintenance guidelines, and establishes a non-adversarial claims resolution procedure that must be followed by an Owner before the Owner can initiate an adversarial claim and proceed to judicial reference or binding arbitration, as described in Section 20.5 below. THE CONSTRUCTION CLAIMS STATUTE AFFECTS EACH OWNER'S LEGAL RIGHTS. OWNERS ARE ADVISED TO READ THE STATUTE CAREFULLY AND SEEK LEGAL ADVICE IF OWNER HAS ANY QUESTIONS REGARDING ITS AFFECT ON OWNER'S LEGAL RIGHTS. PURSUANT TO CALIFORNIA CIVIL CODE SECTION 914, DECLARANT IS PERMITTED TO ELECT TO USE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES INSTEAD OF USING THE STATUTORY PRE-LITIGATION PROCEDURES PROVIDED IN THE CONSTRUCTION CLAIMS STATUTE, AND DECLARANT HAS ELECTED TO USE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES.

20.3.2 Owners' Construction Defect Claims. Prior to the commencement of any legal proceeding by any Owner against Declarant or any Declarant Party based upon a claim for defects in the design or construction of any Homesite, Residence, Common Area, or any

improvements thereon, the Owner must first comply with the provisions of this paragraph. If at any time during the ten (10) year period following the close of escrow for the original Owner's purchase of such Owner's Homesite from Declarant, as such period may be extended by any applicable tolling statute or provision, or any shorter period as provided by applicable law, such Owner believes Declarant has violated any of the standards set forth in the Construction Claims Statute ("Claimed Defect"), which such Owner feels may be the responsibility of Declarant, such Owner shall promptly notify Lennar Corporation, 700 NW 107 Avenue, 4th Floor, Miami, FL 33172, attention General Counsel in writing, with a copy thereof to 5780 Fleet Street, Suite 300, Carlsbad, CA 92008. Such notice shall be deemed a notice of intention to commence a legal proceeding and shall include: (a) a detailed description of the Claimed Defect, (b) the date upon which the Claimed Defect was first discovered, and (c) dates and times when Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by Declarant can be scheduled. Declarant shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect. Nothing contained in this Article shall obligate Declarant to perform any such inspection or repair, nor shall this Section be deemed to increase Declarant's legal obligations to Owner. Owner's written notice delivered to Declarant shall be a condition precedent to Owner's right to institute any legal proceeding and to proceed to judicial reference or binding arbitration as set forth Section 20.5 below, and Owner shall not pursue any other remedies available to it, at law or otherwise, including without limitation the filing of any legal proceeding or action, until Declarant has had the reasonable opportunity to inspect and cure the Claimed Defect. During the term of any written Limited Warranty provided to the original Owner of the Homesite by Declarant, any conflict between the provisions of this Section and the Limited Warranty shall be resolved in favor of the Limited Warranty. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Owner may suffer as a result of any Claimed Defect in the Homesite, which reasonably might have been avoided had Owner given Declarant the notice and opportunity to cure as described above within a reasonable time of discovering the Claimed Defect. Except as otherwise provided in the written Limited Warranty, if any, provided to Owner, nothing contained herein shall establish any contractual duty or obligation on the part of Declarant to repair, replace or cure any Claimed Defect. If an Owner sells or otherwise transfers ownership of such Owner's Homesite to any other person during such ten (10) year period, as such period may be extended by any applicable tolling statute or provision, Owner covenants and agrees to give such other person written notice of these procedures by personal delivery. Owner's continuing obligation under this covenant shall be binding upon Owner and Owner's successors and assigns.

20.3.2.1 All Owners, who originally purchased a Homesite from Declarant, were provided copies of certain documents through escrow in conjunction with the purchase of the Homesite, including copies of this Declaration, maintenance recommendations from Declarant, maintenance recommendations for manufactured products or appliances included with the Homesite, a limited warranty, claim forms, and other documentation relating to the Construction Claims Statute. All Owners are required by the Construction Claims Statute to retain these documents and provide copies of such documents to Owner's successors in interest upon the sale or transfer of such Owner's Homesite.

20.3.2.2 All Owners are obligated by Section 907 of the Construction Claims Statute to follow Declarant's maintenance recommendations and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided with the Property, as well as all commonly accepted maintenance practices (collectively, "Maintenance Recommendations"). Per Section 945.5 of the Construction Claims Statute, failure to follow the Maintenance Recommendations may reduce or preclude Owner's right to recover damages relating to such Owner's Property, which could have been prevented or mitigated had the Maintenance Recommendations been followed.

20.3.3 Association's Construction Defect Claims. DECLARANT ELECTS TO USE THE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES CONTAINED IN CIVIL CODE SECTION 1375, EXCEPT AS OTHERWISE PROVIDED HEREIN, RATHER THAN THE STATUTORY PRE-LITIGATION PROCEDURES OF THE CONSTRUCTION CLAIMS STATUTE, WITH RESPECT TO CLAIMS BY THE ASSOCIATION. Prior to the commencement of any legal proceeding by the Association against Declarant or any Declarant Party based upon a claim for defects in the design or construction of the Common Area, or any improvements thereon, or any other area within the Community which the Association has standing to make a claim for defects in the design or construction thereof, the Association must first comply with all of the applicable requirements of Civil Code Section 1375, as the same may be amended from time to time, or any successor statute thereto. In addition to the requirements of said Section 1375, Declarant shall have an absolute right, but not an obligation, to repair any alleged defect or condition claimed by the Association to be in violation of the standards set forth in the Construction Claims Statute, within a reasonable period of time after completion of the inspection and testing provided for in such Section and prior to submission of builder's settlement offer under such Section. If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the judicial reference or binding arbitration provisions of Section 20.5 below and the parties to the dispute shall each be responsible for their own attorneys' fees. The Association shall have the power to initiate claims against a Declarant Party for violations of Construction Claims Statute, as soon as the Association has one (1) Class A Member other than Declarant. Upon the written request of any Class A member to the Board of Directors, the Board shall establish a committee consisting exclusively of Class A Member(s) other than Declarant to investigate claimed violations of the standards of the Construction Claims Statute. Upon the committee's determination that cause exists to initiate a claim, the decision of whether to initiate a claim shall be made by a vote of the Class A members other than Declarant. A majority of the votes cast shall be deemed to be the decision of the Association, which the board shall carry out by submitting the necessary claim to Declarant or the appropriate Declarant Party; provided, however, that the vote is either conducted at a properly convened meeting with the requisite quorum in accordance with the provisions of the Bylaws relating to meetings and voting, or the vote was conducted without a meeting in accordance with California Corporations Code Section 7513, as authorized by the Bylaws.

Section 20.4. Other Disputes. Any other disputes arising under this Declaration, or otherwise, between the Association or any Owner and Declarant or any Declarant Party (except for any action taken by the Association against Declarant for delinquent assessments, and any action

involving enforcement of any completion bonds) shall be resolved in accordance with the alternate dispute resolution provisions of Section 20.5 below. The dispute resolution procedure in Section 20.5, as it applies solely to disputes under this Section 20.4, shall be deemed to satisfy the alternative dispute requirements of Civil Code Section 1354, or any successor statute, as applicable.

Section 20.5. Alternate Dispute Resolution Procedures.

20.5.1 Judicial Reference. Subject to compliance with the provisions of Sections 20.2 through 20.4, to the extent applicable, it is the intention of Declarant that, except as otherwise expressly provided herein, any and all disputes, based upon which litigation is filed, shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Declaration (such as the collection of delinquent assessments), any dispute between the Association or any Owner(s) and the Declarant or other developer of the Community, or between the Association and any Owner, with respect to the interpretation of any of the provisions of this Declaration, or with respect to any alleged breach hereof, or with respect to any other claim related to a Homesite or the Common Area, including, without limitation, any alleged latent or patent construction or design defect in the Community, any Homesite or any part thereof, any alleged violation of the standards set forth in the Construction Claims Statute, any judicial determination to be made under California Civil Code Section 1375(h), or for alleged damage to the Common Area, alleged damage to Homesites that the Association is obligated to maintain or repair, or any alleged damage to the Homesites that arises out of, or is integrally related, to damage to the Common Area or Homesites that the Association is obligated to maintain or repair, shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure Sections 638 through 645.1. Notwithstanding any other provision of this Declaration, this Section shall not be amended without the written consent of Declarant. In the event litigation is filed based upon any such dispute, the following shall apply:

20.5.1.1 The proceeding shall be brought and held in the County in which the Properties are located, unless the parties agree to an alternative venue.

20.5.1.2 The parties shall use the procedures adopted by JAMS for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties).

20.5.1.3 The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters.

20.5.1.4 The parties to the litigation shall agree upon a single referee who shall have the power to try any and all of the issues raised, whether of fact or of law, which may be pertinent to the matters in dispute, and to issue a statement of decision thereon to the court. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction in accordance with California Code of Civil Procedure Sections 638 and 640.

20.5.1.5 The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of the controversy.

20.5.1.6 The referee may require one or more pre-hearing conferences.

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

20.5.1.8 A stenographic record of the trial shall be made.

20.5.1.9 The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable.

20.5.1.10 The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

20.5.1.11 The parties shall promptly and diligently cooperate with each other and the referee and perform such acts, as may be necessary for an expeditious resolution of the dispute.

20.5.1.12 Except as otherwise agreed by the parties or as required by applicable law, neither the Association nor any Owner shall be required to pay any fee of the judicial reference proceeding except to the extent of the cost that would be imposed upon the Association or Owner if the dispute had been resolved as a dispute in court. The referee may not award against the Association or any Owner any expenses in excess of those that would be recoverable as costs if the dispute had been litigated to final judgment in court. Each party to the judicial reference proceeding shall bear its own attorney fees and costs in connection with such proceeding.

20.5.1.13 The statement of decision of the referee upon all of the issues considered by the referee shall be binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action that may be brought by any of the parties. Declarant and Owners, by accepting a deed to a Homesite within the Community, acknowledge and accept that they are waiving their right to a jury trial.

20.5.2 Binding Arbitration. If for any reason the judicial reference procedures in Section 20.5.1 are legally unavailable at the time a dispute would otherwise be referred to judicial reference, then such dispute shall be submitted to binding arbitration under the rules and procedures in this Section 20.5.2. Any dispute submitted to binding arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the AAA's Construction Industry Arbitration Rules in effect on the date of the submission. If such entity is not then in existence, then the dispute shall be submitted to JAMS, and administered in accordance with either the Streamlined Arbitration Rules and Procedures, or (if applicable) the

Comprehensive Arbitration Rules of JAMS. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such dispute. If the claimed amount exceeds \$250,000.00 or includes a demand for punitive damages, the dispute shall be heard and determined by three arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one arbitrator. Arbitrators shall have expertise in the area(s) of dispute, which may include legal expertise if legal issues are involved. All decisions concerning the arbitrability of any dispute shall be decided by the arbitrator(s). At the request of any party, the award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

20.5.3 Applicability of Federal Arbitration Act. The binding arbitration procedures contained in Sections 20.5.2 are implemented for the Community in accordance with the philosophy and intent of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) ("FAA"), which is designed to encourage the use of alternative methods of dispute resolution and avoid costly and potentially lengthy traditional court proceedings. The binding arbitration procedures in said Section are to be interpreted and enforced as authorized by the FAA. Parties interpreting this Section shall follow the federal court rulings, which provide among other things that: (1) the FAA is a congressional declaration of liberal federal policy favoring alternate dispute resolution notwithstanding substantive or procedural state policies or laws to the contrary, (2) alternate dispute resolution agreements are to be rigorously enforced by state courts; and (3) the scope of issues subject to alternate dispute resolution are to be interpreted in favor of alternate dispute resolution.

Section 20.6. Disputes Relating To Enforcement Of Governing Documents. In the event of a dispute between the Association and an Owner, or between an Owner and another Owner, relating to the enforcement of the governing documents of the Association, the parties shall comply with the provisions of California Civil Code Section 1354(b) through (j), prior to filing of any civil action.

Section 20.7. Civil Code Sections 1368.4, 1375, 1375.05 and 1375.1. Nothing contained herein shall be deemed a waiver or limitation of the provisions of California Civil Code Sections 1368.4, 1375, 1375.05, or 1375.1.

Section 20.8. Use of Damage Award Amounts. Any and all amounts awarded to a claimant on account of a claimed construction or design defect in the Community, or damage suffered as a result thereof, shall be expended by such claimant for the attorney fees and costs of the proceeding and the repair, rehabilitation, or remediation of the claimed defect or damage.

ARTICLE 21

ACCESS EASEMENT AREAS

Section 21.1. Conveyance of Access Easement Areas and Easements. Declarant and the Association will enter into an Easement Grant Deed recorded in the San Diego County

Recorder's Office, which Easement Grant Deed will provide in part that Declarant reserves unto itself and grants to the Association and all Owners a nonexclusive easement for use and enjoyment of the Access Easement Area, including ingress, egress and access on, over and across the Access Easement Area. Declarant shall maintain the Access Easement Area until conveyance by Declarant of fee title to the Association, at which time the Association shall be responsible for the maintenance, repair and replacement thereof. If, however, Declarant fails to properly maintain the Access Easement Area prior to conveyance thereof or of a maintenance easement thereto to the Association, the Association shall have the right to maintain the Access Easement Area and seek reimbursement therefor from Declarant. Future Phases covered by a separate Final Subdivision Public Report issued by the California Department of Real Estate may include additional Access Easements Areas for which the Owners and the Association will be granted access easements by Easement Grant Deed.

Section 21.2. Use of Access Easement Area. Except as otherwise provided in this Declaration, the Access Easement Area for Phase 1 ("Access Easement Area") consists of a portion of private street, as described in the Easement Grant Deed conveying easements in such Access Easement Area to the Association, and shall be solely and exclusively used for such purposes by and for the Owners of the Homesites within the Community, their guests and invitees. To accomplish these objectives, the Access Easement Area and Community are hereby declared to be subject to the following limitations and restrictions:

21.2.1 Subject to the restrictions contained in this Declaration, all Owners shall have the right to enter upon or into the Access Easement Area.


21.2.2 The Association and the Owners shall have the right of access, ingress, and egress on, over, and across only the Access Easement Areas for which an Easement Grant Deed has been recorded granting them access easements. Access to areas of the Community under construction, and to the streets within such areas, is not permitted.

IN WITNESS WHEREOF, the undersigned hereunto executed this Declaration this 7th day of October, 2003.

"DECLARANT"

GREYSTONE HIDDEN MEADOWS, LLC,
a Delaware limited liability company

By: GREYSTONE HOMES, INC.,
a Delaware corporation
Its Managing Member

By: 
Its: DIVISION PRESIDENT

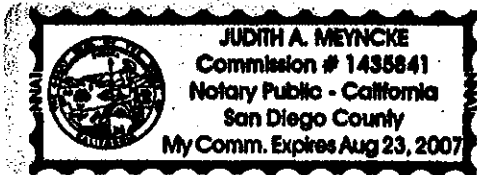
ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF San Diego)

On October 7, 2003, before me, Judith A. Meyncke, personally appeared Michael L. Levesque, personally known to me ~~(or proved to me on the basis of satisfactory evidence)~~ to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signatures on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Judith A. Meyncke
NOTARY PUBLIC



1332

GOVERNMENT CODE SEC. 27361.7

I CERTIFY UNDER THE PENALTY OF PERJURY THAT THE NOTARY SEAL ON THE DOCUMENT TO WHICH THIS STATEMENT IS ATTACHED READS AS FOLLOWS:

NAME OF NOTARY: **JUDITH A. MEYNCKE**

DATE COMMISSION EXPIRES: **AUGUST 23, 2007**

COMMISSION NO: **1435841**

VENDOR No: **NNA1**

COUNTY WHERE BOND IS FILED: **SAN DIEGO COUNTY**

* * * *

PLACE OF EXECUTION: ORANGE, CALIFORNIA

DATE: **OCTOBER 9, 2003**

NORTH AMERICAN TITLE COMPANY



RANDAL C. DEAN

1333

EXHIBIT "A"

THE PROPERTIES

In the unincorporated area of the County of San Diego, State of California:

LOTS 32 THROUGH 39, INCLUSIVE, 47 THROUGH 49, INCLUSIVE, AND 52 THROUGH 61, INCLUSIVE, AND COMMON AREA LOT 62, OF TRACT NO. 5175-1, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 14612, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ON JUNE 17, 2003, AS FILE NO. 2003-0712137.

EXHIBIT "B"

ANNEXABLE PROPERTY

In the unincorporated area of the County of San Diego, State of California:

LOTS 1 THROUGH 31, INCLUSIVE, 40 THROUGH 46, INCLUSIVE, AND 50, 51, 63, 64, 65 AND 66, OF TRACT NO. 5175-1, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 14612, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ON JUNE 17, 2003, AS FILE NO. 2003-0712137; and

TRACT NO. 5176-1, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 14644, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ON AUGUST 11, 2003, AS FILE NO. 2003-0965622; and

The following described real property, being Tentative Tract No. 5175-2:

Being a portion of Parcel "B" of Certificate of Compliance recorded July 17, 1998 as File No. 1998-0444681 of Official Records of San Diego County, lying within Section 17, Township 11 South, Range 2 West, San Bernardino Meridian, in the County of San Diego, State of California, according to U.S. Government Survey thereof, described as follows:

BEGINNING at an angle point in the westerly line of Lot 179 of Map No. 9488; thence along the westerly and southerly lines of said Lot 179 the following five (5) courses: South 00°39'32" West 282.04 feet to a point on a non-tangent curve concave southerly and having a radius of 1015.00 feet, a radial line of said curve from said point bears South 00°43'50" West; thence along said curve easterly 207.91 feet through a central angle of 11°44'10" to a point of reverse curvature with a curve concave northwesterly and having a radius of 410.00 feet, a radial line of said curve from said point bears North 12°28'00" East; thence along said curve easterly 329.93 feet through a central angle of 46°06'23" to a point of reverse curvature with a curve concave southeasterly and having a radius of 1015.00 feet, a radial line of said curve from said point bears South 33°38'23" East; thence along said curve northeasterly 157.32 feet through a central angle of 08°52'51"; thence tangent from said curve North 65°14'28" East 70.87 feet; to a point on the northerly line of Parcel "A" of Certificate of Compliance recorded August 17, 1990 as File No. 90-452134 of Official Records; thence along the northerly and easterly lines of said last mentioned Parcel "A" the following four (4) courses: North 65°14'28" East 80.54 feet to the beginning of a tangent curve concave northwesterly and having a radius of 25.00 feet; thence

along said curve northeasterly and northerly 42.72 feet through a central angle of $97^{\circ}55'06''$ to a point of cusp with a curve concave northeasterly and having a radius of 355.00 feet, a radial line of said curve from said point bears North $57^{\circ}19'22''$ East; thence along said curve southeasterly 107.23 feet through a central angle of $17^{\circ}18'25''$ to a point of cusp with a curve concave southerly and having a radius of 20.00 feet, a radial line of said curve from said point bears South $40^{\circ}00'57''$ West; thence leaving said northerly and easterly lines, along said curve westerly 23.39 feet through a central angle of $67^{\circ}01'05''$; thence tangent from said curve South $62^{\circ}59'52''$ West 395.57 feet to the beginning of a tangent curve concave northwesterly and having a radius of 526.00 feet; thence along said curve westerly 265.83 feet through a central angle of $28^{\circ}57'21''$; thence tangent from said curve North $88^{\circ}02'47''$ West 191.75 feet to the beginning of a tangent curve concave northeasterly and having a radius of 330.00 feet; thence along said curve westerly 148.94 feet through a central angle of $25^{\circ}51'37''$; thence non-tangent from said curve South $74^{\circ}18'44''$ West 118.68 feet; thence North $76^{\circ}32'19''$ West 37.75 feet; thence North $70^{\circ}41'14''$ West 119.68 feet; thence South $82^{\circ}22'13''$ West 140.78 feet; thence North $07^{\circ}37'47''$ West 10.00 feet; thence South $82^{\circ}22'13''$ West 40.00 feet; thence North $49^{\circ}15'53''$ West 27.12 feet; thence North $11^{\circ}04'00''$ West 90.05 feet; thence North $78^{\circ}45'18''$ East 23.84 feet; thence North $11^{\circ}14'42''$ West 212.84 feet; thence North $78^{\circ}45'18''$ East 126.11 feet; thence South $89^{\circ}17'30''$ East 467.87 feet to the **POINT OF BEGINNING**.

1336

EXHIBIT "OSMA"

OFF-SITE MAINTENANCE AREAS

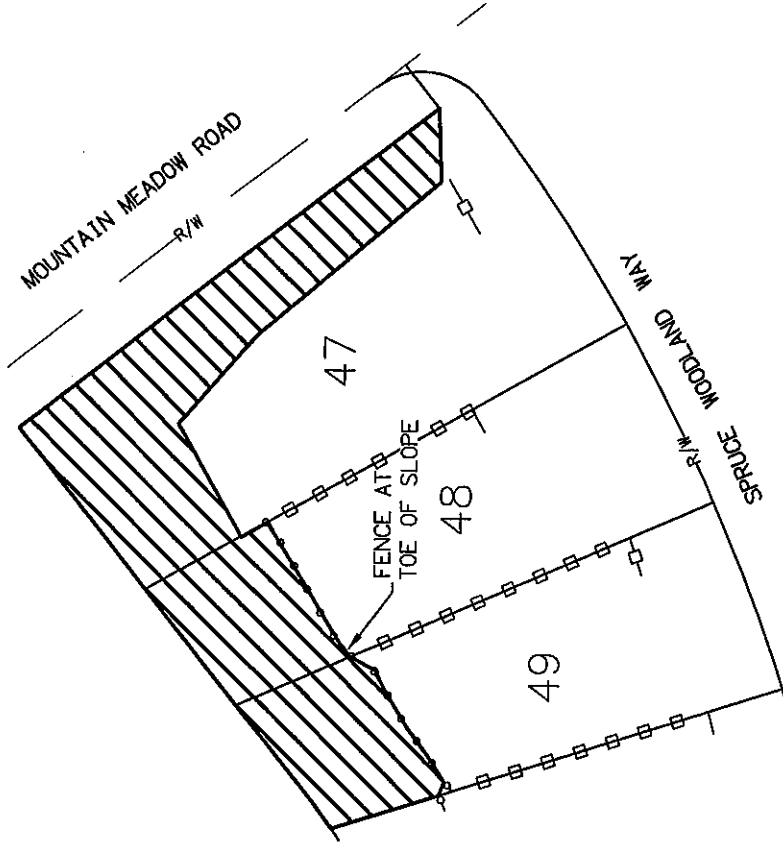
NONE IN THIS PHASE

1337

EXHIBIT "SEA"


SLOPE EASEMENT AREAS

EXHIBIT 'SEA'
DRAWING DEPICTING ASSOCIATION SLOPE EASEMENT AREAS
TRACT 5175-1




NOTE:
DEPICTION IS FOR ILLUSTRATIVE
PURPOSES ONLY.
AS-BUILT CONDITIONS
WILL CONTROL.

LEGEND

 ASSOCIATION SLOPE
EASEMENTS AREA
SF OF LANDSCAPING &
IRRIGATION

 LOT OWNER TO MAINTAIN
TUBULAR STEEL FENCING

 LOT OWNER TO MAINTAIN
PROPERTY FENCE (WOOD)
REPLACE ALL PORTIONS
OF WOOD FENCE.


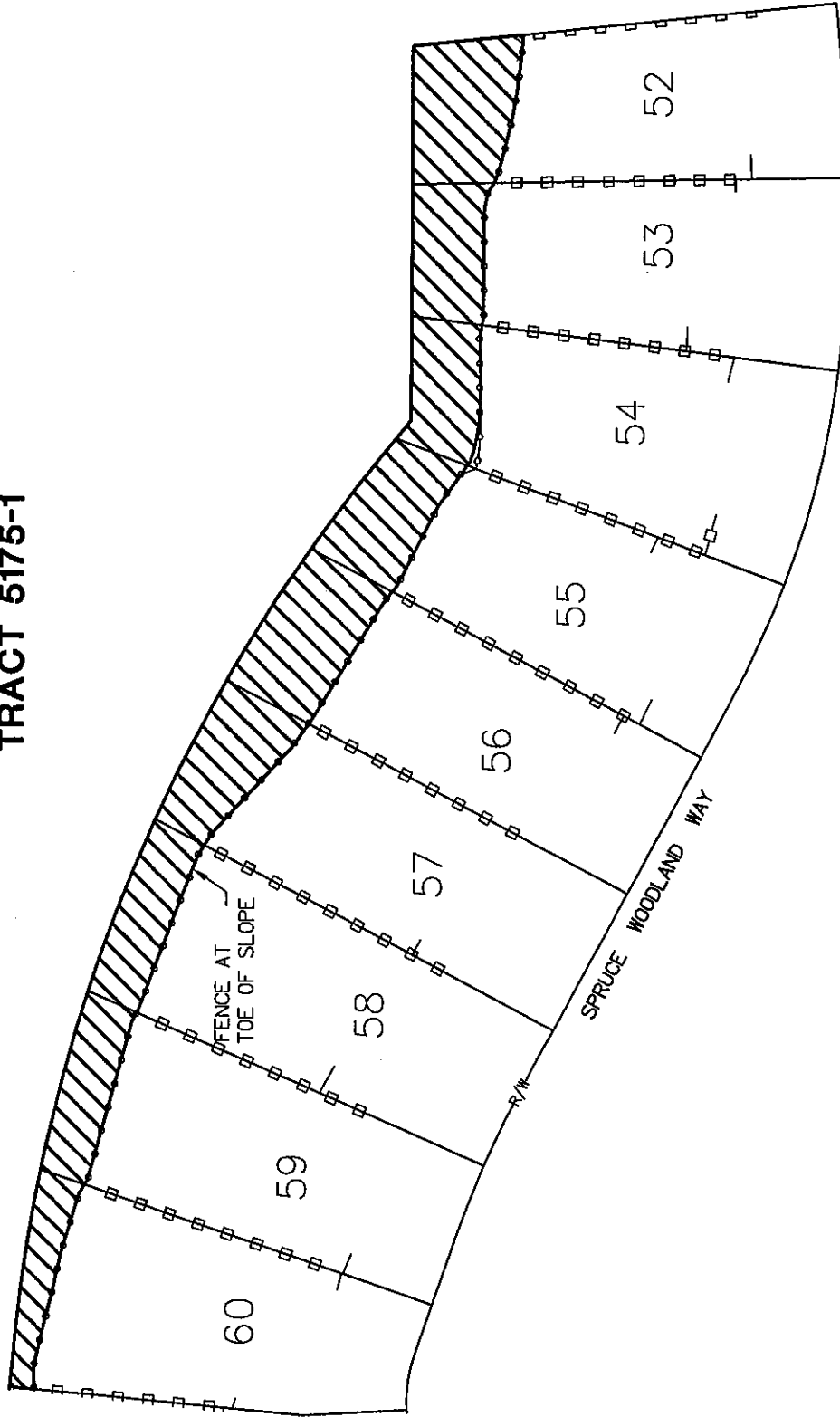
 PROPERTY LINE

EXHIBIT "SEA"
DRAWING DEPICTING ASSOCIATION SLOPE EASEMENT AREAS
TRACT 5175-1



NOTE:
DEPICTION IS FOR ILLUSTRATIVE
PURPOSES ONLY.
AS-BUILT CONDITIONS
WILL CONTROL.

LEGEND

-  ASSOCIATION SLOPE EASEMENT'S AREA
-  SF ASSOCIATION MAINTENANCE OF LANDSCAPING & IRRIGATION
-  LOT OWNER TO MAINTAIN TUBULAR STEEL FENCING
-  LOT OWNER TO MAINTAIN PROPERTY FENCE (WOOD) LOT OWNER TO MAINTAIN AND REPLACE ALL PORTIONS OF WOOD FENCE.
-  PROPERTY LINE

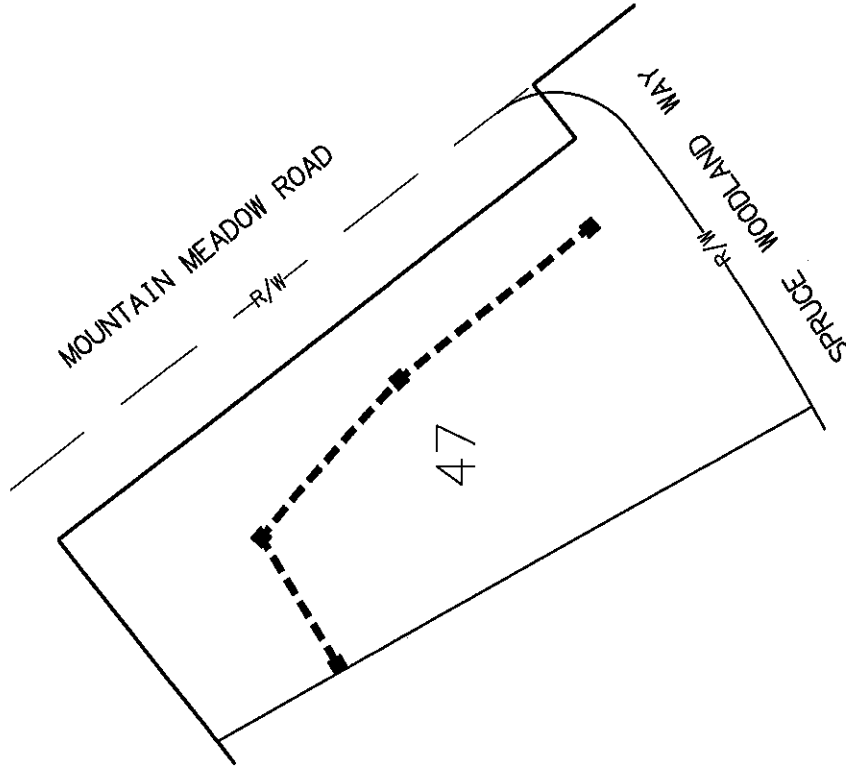
EXHIBIT "MSW"

MASONRY SOUND WALLS

The following Homesites contain masonry sound walls subject to the maintenance provisions of Section 7.4.1:

**EXHIBIT "MSW"
DRAWING DEPICTING MASONRY SOUND WALL
TRACT 5175-1**

1341



NOTE:
DEPICTION IS FOR ILLUSTRATIVE
PURPOSES ONLY.
AS-BUILT CONDITIONS
WILL CONTROL.

LEGEND

- PROPERTY LINE
- ■ ■ ■ ■ ■ ASSOCIATION PROPERTY WALLS
(SLUMP BLOCK) AND PILASTERS.
ASSOCIATION TO MAINTAIN STRUCTURAL
INTEGRITY AND SURFACE FACING
AWAY FROM LOT. LOT OWNER TO
MAINTAIN SURFACE FACING LOT.

1342

EXHIBIT "BW"

BLOCK WALLS

The following Homesites contain block walls subject to the maintenance provisions of Section 7.4.2:

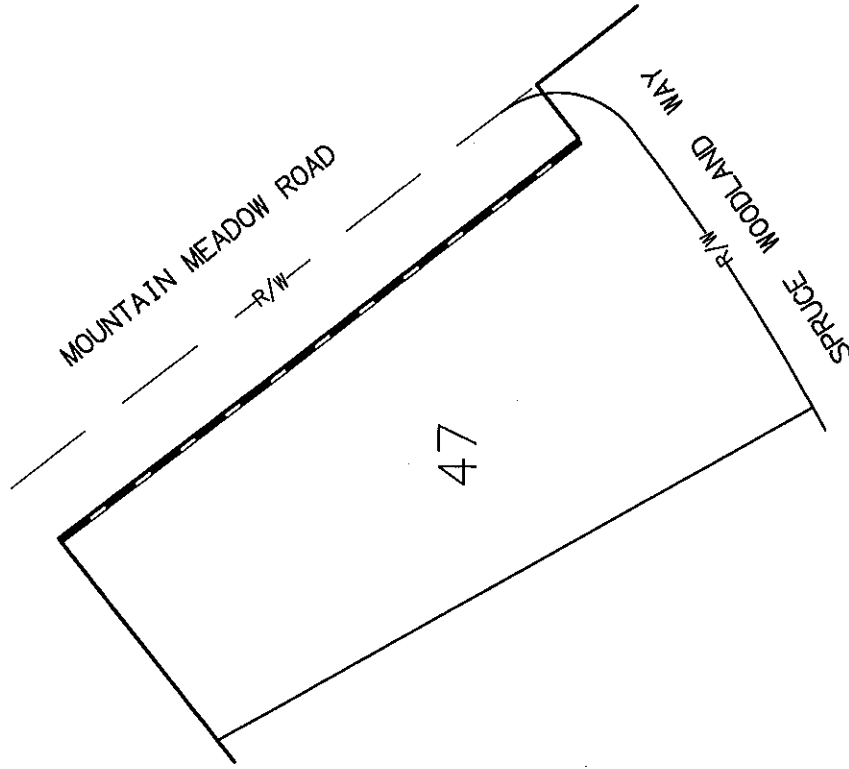
EXHIBIT 'BW'
DRAWING DEPICTING BLOCK WALL
TRACT 5175-1

NOTE:
DEPICTION IS FOR ILLUSTRATIVE
PURPOSES ONLY.
AS-BUILT CONDITIONS
WILL CONTROL.

LEGEND

— PROPERTY LINE

— ASSOCIATION PROPERTY
RETAINING WALL TO BE
MAINTAINED BY HOA



1344

EXHIBIT "TSF"

TUBULAR STEEL FENCING

The following Homesites contain tubular steel fencing to be maintained by the Association and not the Owners of such Homesites, as provided in Section 7.4.3:

NONE IN THIS PHASE

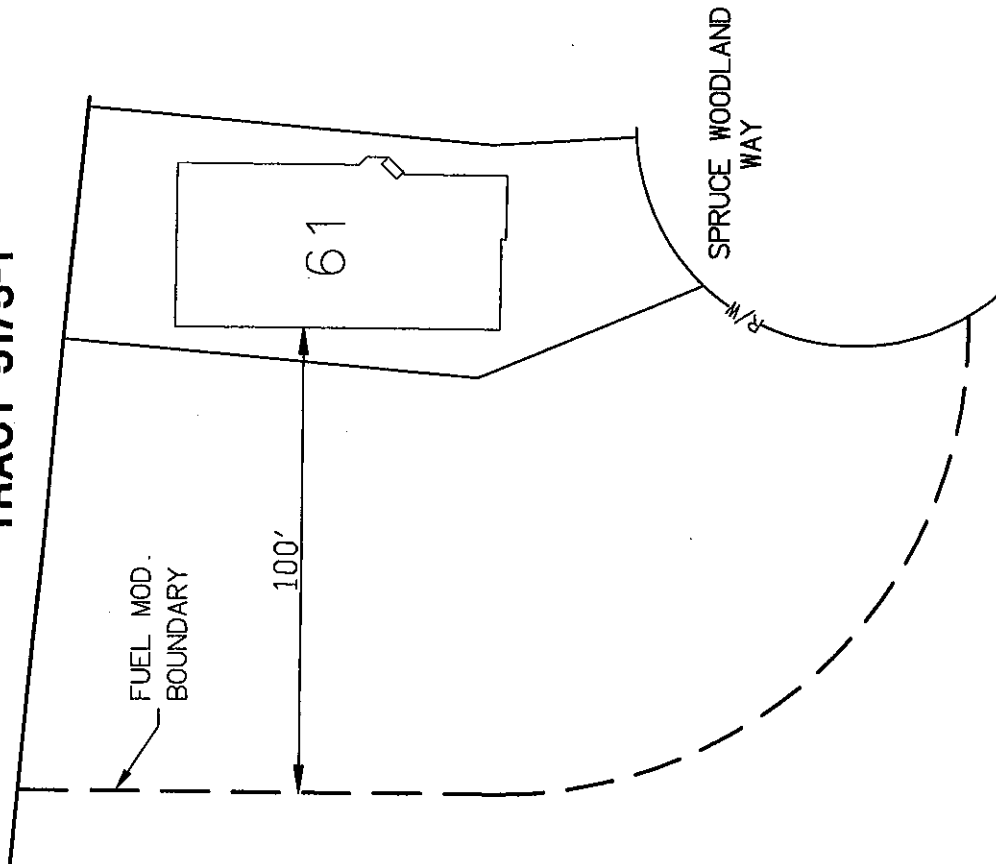
1345

EXHIBIT "FMA"

FUEL MODIFICATION AREAS

EXHIBIT "FMA"
DRAWING DEPICTING FUEL MODIFICATION AREAS
TRACT 5175-1

1346



NOTE:
 DEPICTION IS FOR ILLUSTRATIVE
 PURPOSES ONLY.
 AS-BUILT CONDITIONS
 WILL CONTROL.

- FUEL MODIFICATION (BRUSH MANAGEMENT) NO COMBUSTIBLE MATERIALS WITHIN 100' FUEL MOD ZONE
- PROPERTY LINE